Esprinet Group

esprinet®

Annual Report 2016

Parent Company:

Esprinet S.p.A.
VAT Number: IT 02999990969
Monza e Brianza Companies' Register and Tax Number: 05091320159 R.E.A. 1158694
Registered Office and Administrative HQ: Via Energy Park, 20 - 20871 Vimercate (MB)
Subscribed and paid-in share capital as at 31/12/2016: Euro 7,860,651
www.esprinet.com - *info@esprinet.com*

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Schemes of the Esprinet S.p.A. financial statements
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[1] Each booklet has a separate table of contents to facilitate the reader
[2] Esprinet S.p.A. separate financial statements, as defined by international accounting principles IFRSs

Directors' Report on Operations 2016

Consolidated results overview

1. Letter from the Chairman

Dear Shareholders,

The Esprinet Group closed 2016 with net profit of €26.9 million, a reduction of approximately -11% on the €30.0 million registered in 2015, for a +13% increase in revenues to just over €3 billion and growth in absolute terms of a little under €400 million.
At the balance sheet date, the year ended with a consolidated shareholders' equity of €318 million and with a cash balance of over €105 million.

During the recently ended tax year, all the main economic and capital indicators were once again broadly positive, even though significant investments linked to acquisitions made during the year combined with a particularly competitive market scenario led to a reduction in profitability compared to 2015.
Once again, we reconfirmed our now more than 10 years of market leadership in Italy and for the first time our Group also became a market leader in Spain due to the consolidation of acquisitions made in that country during 2016.

The market

The technology distribution sector in which the Esprinet Group operates generally shows development rates in line with the overall trend in gross domestic product, the rate of incidence of ICT spending on GDP and the relative impact of this particular channel in relation to direct distribution.
Key factors influencing overall ICT demand are degree of technological innovation, average product prices, the population's degree of computer literacy and the propensity of businesses to use new technologies, which is sometimes encouraged by tax breaks.

As far as the macroeconomic scenario is concerned, ECB Economic Bulletin No 1/2017 summarises the global macroeconomic situation as follows: "Available global indicators point to a continued moderate rebound in world activity and trade growth towards the end of 2016. Meanwhile, global financial conditions have tightened and emerging market economies have been confronted with capital outflows. Global headline inflation has increased on the back of waning negative contributions from energy prices. Risks to the outlook for world activity remain on the downside and relate, in particular, to political uncertainty and financial imbalances."

As regards Europe, ECB Bulletin 2/2017 states the following: "At its monetary policy meeting on 9 March 2017, the Governing Council concluded that a very substantial degree of monetary accommodation is still needed for underlying inflation pressures to build up and support headline inflation in the medium term.
The ECB's monetary policy measures have continued to preserve the very favourable financing conditions that are necessary to secure a sustained convergence of inflation rates towards levels below, but close to, 2% over the medium term. The ongoing pass-through of these measures to borrowing conditions for firms and households benefits credit creation and supports the steadily firming recovery of the euro area economy."

In brief, 2016 was characterised by a certain amount of recovery in the economy, which at present continues to face risks inherent in political uncertainties following the policy changes announced by the Trump administration in the US and as a result of the rounds of elections planned during the year in France and Germany as well as potentially in Italy.
Overall, again in 2017, the macroeconomic scenario in the areas in which the Group operates is characterised by some degree of stability in trends, but with predictable strong short-term

fluctuations due to the various shockwaves that now regularly rock the economy due to outside causes such as terrorist events or political instability.

As regards product innovation, 2016 was a year of relative stability in the personal computer segment, where manufacturers continued steadily pushing upper band models with solid-state storage technology and innovative form factors such as "2 in 1" units. This also applied to the mobile telephony segment where there were no technological advances of any particular significance.
The world of printing technologies continues to evolve towards less costly products with inkjet technology spreading even into the professional segment.
The great promise of the Internet of Things has not yet become a tangible economic reality although the accelerated quest for standards of interconnection between different objects suggests we can soon expect a wave of new products that will undoubtedly have a significant impact on overall purchase volumes by industry and consumers.

The slow advance of Cloud solutions continues, though it is increasingly evident that the most successful technology will be that of software provision in the Cloud (SaaS) as opposed to infrastructure solutions that are expected to evolve into hybrid models consisting of conventional on-premises datacentre solutions combined with Cloud extensions through IaaS (Infrastructure as a Service) solutions.
The area showing most dynamism in terms of technological innovation and volumes is certainly that of cyber security. This has partly come about as a result of the growing sophistication of computer threats and the pervasiveness of IT solutions within companies and the lifestyles of end consumers.
The flow of technological innovation seems to be speeding up even more with announcements of genuine imminent breakthroughs in the smartphone and man-machine interface segment: all this suggests a continuation of the period of long-term expansion we have enjoyed in the reference market within which our Group operates.

In the first part of 2016, a fierce war broke out to gain market share among PC manufacturers, which translated into abnormal stock levels being held by all sales intermediaries.
Over the course of the year, this surplus stock has been re-absorbed through massive price promotions that benefited consumers at the expense of the overall profitability of manufacturers and distributors.
An ongoing increase in the impact of on-line retailers stepped up the pressure on end consumer product prices throughout the distribution chain.
During the first few months of 2017, however, we began to observe a trend of rising average product prices in the most important categories such as PCs and smartphones. This came about due to a shortage of components such as memories and screens and a gradual shift in demand toward items with better performance and therefore higher prices. The trend in the use of the distribution channel by leading technology manufacturers was relatively stable, although sector analysts predict progressive further growth in the distribution segment due to a growing need for producers to vary their distribution costs and expand market coverage.

Overall, in the course of 2016, the European wholesale distribution sector, based on Context data (January 2017) grew by +1.4% compared to 2015 with fourth quarter growth of +0.8% compared to the same period the previous year.
In the countries where our Group operates, the growth rate was in line with the rest of the market, with Italy showing growth of +0.9% and Spain +1.2%.

The Italian business

During 2016, our Italian business underwent a number of major changes in the midst of a particularly challenging distribution scenario.
After booming growth in 2015 due to exceptional performance achieved in the smartphone segment with both Apple and Samsung, 2016 saw a significant reduction in turnover in this market segment for our Group.

This was due to Samsung leaving the lowest market segment, channel rivalry with Telco phones in the Apple segment as well as lower-than-expected overall demand due to the relatively modest product innovation rate for new smartphones launched in 2016.

As far as the first product margin was concerned, the group also experienced pressure caused by the massive price promotions that PC manufacturers had to put in place to clear excess stocks that had accumulated at the beginning of the year from the distribution channels.
The end-of-year political turmoil and low growth in the ICT sector in general during 2016 piled further pressure on revenue and product margins.
The Italian group used 2016 to launch a series of radical initiatives for change that are more ably represented in the industrial plan submitted to the financial community in early October 2016, which we believe will bring us great gratification in the years to come.
The extension to the distribution hub located in Cavenago di Brianza became operational and a number of innovative studies were launched with the aim of further enhancing productivity and the quality of service that can be delivered to new customer categories in the future.

The code underlying our e-commerce platform has been completely rewritten and will be presented in its new form in the spring of 2017, guaranteeing full interconnectivity with the new CRM tools that are being launched during the early months of 2017. Above all, this will guarantee that we are able to implement wall-to-wall use of the big data analysis tools that we believe will allow us to offer our customers a better and more innovative service.
We also continued to pursue our policy of training and enhancing human resources with ongoing and substantial investments, particularly in younger managers.
Growth continued in the segment of branded products, Nilox and Celly, where the group counts on being able to expand its presence in the coming years.
Regarding the smartphone accessory production and distribution sector that we dominated by acquiring 80% of Celly S.p.A.'s capital, 2016 was a year of great satisfaction when we achieved operating profitability in excess of 5%, which we believe could be a prelude to further investment in this sector over time.
The sport technology segment, led by Nilox, continued to perform well and the 2017 budget is now measured in tens of millions of Euro in revenue.

The most significant investments came from acquisitions.
In April 2016, we completed our acquisition of EDSLan, a distributor specialising in networking, unified communication and cabling solutions.
Due to this acquisition and our acquisition in December of the Italian and Spanish distribution businesses operated by IT Way, a cybersecurity specialist, our "V-Valley" project for the distribution of complex datacentre technologies achieved a pro forma turnover of nearly 400 million Euro in 2016, positioning our group as one of the leaders in this high-margin market segment.
The one-off costs of acquiring the two companies and costs associated with their integration had a further impact on overall figures for 2016 but they represent an important step toward achieving leadership in all market segments where the Group operates.

The Spanish business

During 2016, the Spanish economy consolidated progress made in 2015, albeit in a situation of political uncertainty that has depressed public investment, which is historically a major component of overall demand for ICT in this country.
Because our Group is very strong in the personal computer segment in Spain, it was hard-hit by pressures on revenues and margins relating to difficulties experienced by PC manufacturers, even though growth recorded in the smartphone segment partially offset difficulties in this area.
During the year, a new warehouse was opened in Zaragoza, now one of the most important ICT logistics centres in Spain and the first cash-and-carry facility opened in Madrid became fully operational. This heralds the opening of the second sales outlet, which is scheduled for the second half of 2017 in Barcelona.

Our main activity in 2016, however, was the purchase of Vinzeo Technologies, the fourth-placed ICT distributor in Spain. The sale was finalised on 30 June 2016.
Through this acquisition, the Group also gained market leadership within Spain and expanded its product range with the distribution contract for the Apple iPhone and Hewlett-Packard Enterprise datacentre products.

Group strategy in Spain involves keeping Vinzeo as a separate company that will increasingly specialise in the segment of telephony and ICT sale to major retailers over time.
The acquisition also added to our roster of experienced managers, allowing staff to be dedicated to development of new high added value projects in the long term. The first of these projects came to fruition at the end of 2016 when a company specialising in the distribution of value-added products was set up in Spain to coincide with our purchase of the Spanish IT Way business branch: V-Valley Iberian. Great efforts are also being made to enhance the distribution of Celly branded smartphone accessories through synergies made available through Vinzeo's historical presence in the telephony market segment.
The development of our activities in Portugal also continued with the signing of many new distribution contracts and the Group believes that more interesting business opportunities can be achieved over time in this country.

New initiatives

The start of 2017 was marked by a substantially stable market and strong activity by the group aimed at integrating the various acquisitions and fully exploiting the resulting commercial synergies.

Investment in human resources continued by making full use of attraction, training, motivation and control methodologies developed over the last few years. In March 2017, we finalised a medium-term pool financing operation for €210 million. This is a clear sign of the confidence that the credit system attaches to the Group and marks a further step toward ensuring boundary conditions for full implementation of the industrial plan submitted to the financial community in October 2016.

Conclusions

The start of 2017 has again been overshadowed by the kind of economic and geo-political instability that has now become a constant in the competitive environment in which we operate.
As already mentioned in the past, however, instability and uncertainty are more of an opportunity than a threat to a group like ours, which has a robust asset structure and a sound and expert organisational structure: we see the market turmoil as an opportunity to seize more room for growth in a sector heading inexorably toward the consolidation process typical of any market that begins to approach maturity.
The industrial plan we submitted represents our guiding compass in this sea of opportunity and we believe that the financial support guaranteed by the system, coupled with the cohesion of our management team and our historical core of shareholders can guarantee opportunities for growth and value creation over time in full compliance with the best standards of governance.
As ever, I would like to finish by thanking all of the Group's employees, who have worked every day with such dedication, integrity and intelligence to ensure our success. I warmly wish them and all our customers, suppliers and investors even more personal and professional satisfaction in 2017.
Thank you for investing in our Company.

Francesco Monti
Chairman of the Board of Directors

2. Summary of the Group's economic and financial results

The 2016 economic and financial results and those of the relative periods of comparison have been drawn up according to International Financial Reporting Standards ('IFRS') endorsed by the European Union and in force during the period. In the chart above, in addition to the conventional economic and financial indicators laid down by IFRSs, some 'alternative performance indicators', although not defined by the IFRSs, are presented. These 'alternative performance indicators', consistently presented in previous periodic Group reports, are not intended to substitute IFRSs indicators; they are used internally by the Management for measuring and controlling the Group's profitability, performance, capital structure and financial position. As required by the Guidelines ESMA / 2015/1415 ESMA (European Securities and Market Authority) issued under Article 16 of the ESMA Regulation, updating the previous recommendation CESR / 05-178b of CESR (Committee of European Securities Regulators) and adopted by Consob with Communication no. 0092543 of 12/03/2015, basis of calculation adopted are defined below the table.

(euro/000)	notes	2016	%	2015	notes	%	% var. 16/15	2014	notes	%
Profit & Loss										
Sales		3,042,330	100.0%	2,694,054		100.0%	13%	2,291,141		100.0%
Gross profit		163,895	5.4%	156,864		5.8%	4%	141,836		6.2%
EBITDA	(1)	43,117	1.4%	50,558		1.9%	-15%	45,139		2.0%
Operating income (EBIT)		38,566	1.3%	46,499		1.7%	-17%	41,086		1.8%
Profit before income tax		35,720	1.2%	42,247		1.6%	-15%	39,100		1.7%
Net income		26,870	0.9%	30,041		1.1%	-11%	26,813		1.2%
Financial data										
Cash flow	(2)	30,820		33,378				30,080		
Gross investments		11,710		5,731				3,593		
Net working capital	(3)	102,322		21,905				58,627		
Operating net working capital	(4)	102,046		34,512				77,431		
Fixed assets	(5)	124,516		101,083				98,058		
Net capital employed	(6)	212,535		111,692				144,588		
Net equity		317,957		297,605				274,872		
Tangible net equity	(7)	225,299		221,695				198,605		
Net financial debt	(8)	(105,424)		(185,913)				(130,284)		
Main indicators										
Net financial debt / Net equity		(0.3)		(0.6)				(0.5)		
Net financial debt / Tangible net equity		(0.5)		(0.8)				(0.7)		
EBIT / Finance costs - net		13.5		11.0				20.7		
EBITDA / Finance costs - net		15.1		11.9				22.7		
Net financial debt/ EBITDA		(2.4)		(3.7)				(2.9)		
Operational data										
N. of employees at end-period		1,327		1,016				969		
Avarage number of employees	(9)	1,173		993				972		
Earnings per share (euro)										
- Basic		0.52		0.59			-12%	0.53		
- Diluted		0.51		0.58			-12%	0.52		

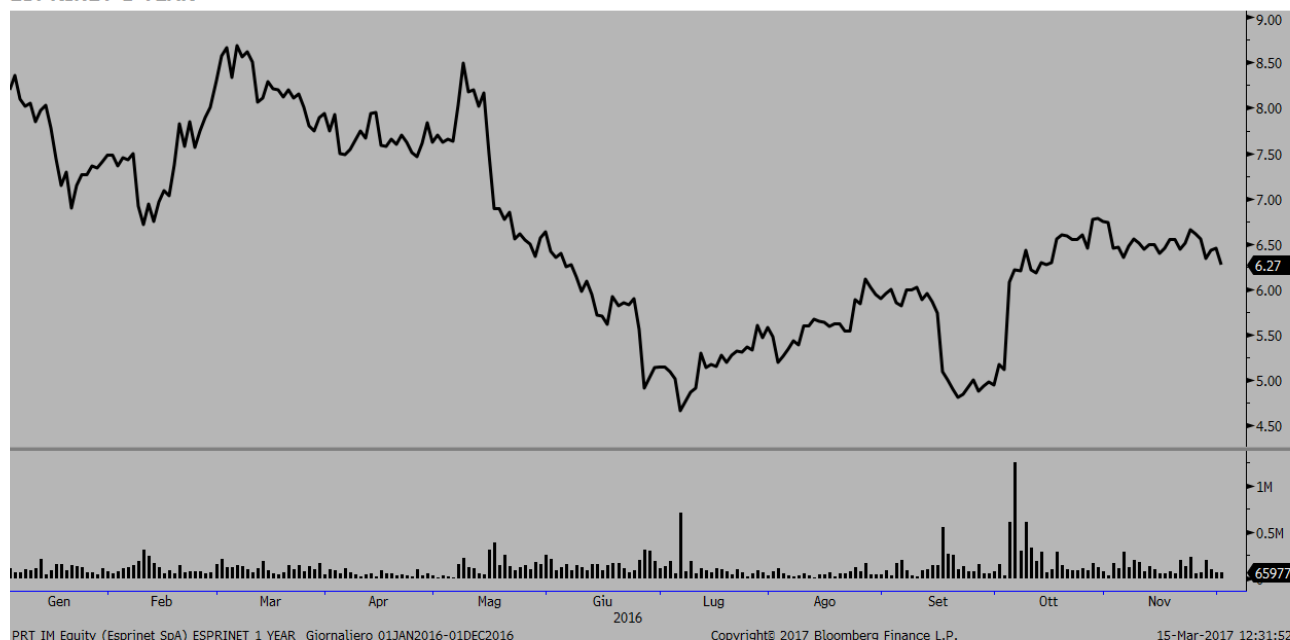
(1) EBITDA is equal to the operating income (EBIT) gross of amortisation, depreciation and accruals for risks and charges.
(2) Sum of consolidated net profit and amortisations.
(3) Sum of current assets, non-current assets held for sale and current liabilities, gross of current net financial debts.
(4) Sum of trade receivables, inventory and trade payables.
(5) Equal to non-current assets net of non-current financial assets for derivatives.
(6) Equal to capital employed as of period end, calculated as the sum of net working capital plus fixed assets net of non-current non-financial liabilities.
(7) Equal to net equity less goodwill and intangible assets.
(8) Sum of financial debts, cash availability, assets/liabilities for financial derivatives and financial receivables from factoring.
(9) Calculated as the average of opening balance and closing balance of consolidated companies.

3. Share performance

Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange since July 27, 2001.

The graph below illustrates the share performance from 1 January till 31 December 2016:

ESPRINET 1 YEAR



As at 31 December 2016, the official closing price of the Esprinet share was 7.0714 euro, decreasing by 15.33% compared to its quotation at the beginning of the year (8.3518 euro).
Compared with a placement price of 1.4 euro per share in July 2001, taking into account the 1:10 share split-up effected during 2005 and without considering the reinvestment of the dividends paid out in shares, growth was 415.93%.
The average quotation in 2016 was 6.6338 euro; the maximum official price reached during the year was 8.6559 euro, recorded on 7 March 2016.
During the year, a dividend of 0.15 euro per share was distributed, a 2.37% dividend yield when compared with the average quotation of the year.

An average volume of 121,809 shares per day was traded during 2016, decreasing by 30.14% than the average volumes daily[1] traded in 2015 (174,363). Volumes reached an all-time high (1,252,342 shares traded) in the session held on 6 October 2016. Average volumes daily traded were 249,817 shares in the same month.

On 14 March 2017, the Esprinet share price was 7.4446 euro, a 3.61% increase since the beginning of the year (7.1853 euro). Average daily trading up to the same day was 75,598 shares per day.

[1] Unweighted average of Esprinet shares volumes traded according to a Bloomberg Finance L.P. time series. Source: Banca IMI

Call of Shareholders' Meeting

ESPRINET S.p.A.
Head-quarter in Vimercate (MB), Via Energy Park n. 20
Share capital € 7,860,651.00, fully paid-up
Listed on the Register of Companies of Monza and Brianza at number 05091320159
Tax code 05091320159 - VAT number 02999990969 – Economic Administrative Index MB-1158694
Website: www.esprinet.com

Notice of Ordinary Meeting of Shareholders

The Ordinary and Extraordinary Meeting will be held at the Cosmo Hotel, Via Torri Bianche n. 4, Vimercate (MB), at 10:00 a.m. on 28 April 2017 (first call), and if necessary a second meeting will be called at 15:00 on 4 May 2017, to discuss the following:

Agenda

Ordinary session

1. Financial statements of Esprinet S.p.A. as at 31 December 2016:
   1.1. Approval of 2016 Financial Statement; Directors' Report on Operations, Statutory Auditors' Report, Independent Auditors' Report presentation of the Consolidated Financial Statement of Esprinet Group as at 31 December 2016.
   1.2. Allocation of income of the year.

2. Report on Remuneration. Resolutions on the first section of the Report on Remuneration under article 123-ter paragraph 6 of the legislative decree 58/1998.
3. Resolutions on the Board of Directors composition; any relevant and corresponding resolutions.
4. Proposal for authorization of a buy-back plan of owned shares; correlated repeal of the authorization for the plan, or the unused portion of it, resolved during the Shareholders' Meeting of 4 May 2016.
5. Integration of fees for the legal accounting support of the Esprinet S.p.A. Consolidated Financial Statement.

Extraordinary session

6. Proposal for change of articles: 4, 5, 8, 11, 13, 16, 19 of the Company By Laws; any relevant and corresponding resolutions.

For information about the Share Capital, the right to amend the agenda and the presentation of new resolutions proposals, the right to ask questions and representation in the Meeting, and the right to

ask questions before the Meeting, please refer to the complete notice text published at the company internet site www.esprinet.com, Investor Relations section, Corporate Documents - 2017 Shareholders Meeting.

DOCUMENTATION

The Documentation referring to the General Meeting, along with the resolution proposals will be available to the public by the legal deadline in the ways stipulated by law. Shareholders and other persons entitled to vote may request a copy of said documentation. The shareholders and anyone with voting rights may obtain a copy of the documentation which will be available from the company's head office (from Mondays to Fridays between 10 a.m. and 1 p.m., and from 3 p.m. to 6 p.m.), from stocking service at the internet site www.emarketstorage.com and on the Company's website www.esprinet.com, Investor Relations – Corporate Documentation – 2017 Shareholders' Meeting.

Those authorised to attend and vote are invited to arrive at least one hour before the start of the Meeting, in order to facilitate the registration process.

Corporate Governance

1. Company Officers

Board of Directors:

(Mandate expiring with approval of accounts for the year ending 31 December 2017)

Chairman	Francesco Monti	(SC)
Deputy Chairman	Maurizio Rota	(SC)
Chief Executive Officer	Alessandro Cattani	(SC) (CSC)
Director	Valerio Casari	(CSC)
Director	Marco Monti	(SC)
Director	Matteo Stefanelli	(SC) (CSC)
Director	Tommaso Stefanelli	(SC) (CSC)
Director	Cristina Galbusera	(InD) (CRC) (RAC)
Director	Mario Massari	(InD) (CRC) (RAC)
Director	Chiara Mauri	(InD) (CRC) (RAC)
Director	Emanuela Prandelli	(InD)
Director	Andrea Cavaliere	
Secretary	Manfredi Vianini Tolomei	Studio Chiomenti

Notes:
(InD): Independent Director
(CRC): Control and Risk Committee
(RAC): Remuneration and Appointments Committee
(SC) Strategy Committee
(CSC) Competitiveness and Sustainability Committee

Board of Statutory Auditor:

(Mandate expiring with approval of accounts for the year ending 31 December 2017)

Chairman	Giorgio Razzoli
Permanent Auditor	Patrizia Paleologo Oriundi
Permanent Auditor	Bettina Solimando
Alternate Auditor	Antonella Koenig
Alternate Auditor	Bruno Ziosi

Independent Auditor:

(Mandate expiring with approval of accounts for the year ending 31 December 2018

EY S.p.A.

2. Waiver of the obligations to provide information on extraordinary transactions

Pursuant to article 70, section 8, and article 71, section 1-bis, of the Issuers' Regulations issued by Consob, on 21 December 2012 the Board of Directors of Esprinet S.p.A. resolved to make use of the right to waive the obligations to publish the information documents stipulated for significant transactions relating to mergers, demergers, increases in capital by the contribution of goods in kind, acquisitions and transfers.

3. Corporate Governance

Esprinet S.p.A. adopts and complies with the Corporate Governance Code for Italian Listed Companies (the Code), adapting it to the Group's characteristics.
In compliance with the disclosure requirements provided for by industry legislation, a 'Corporate Governance Report and ownership structure' is drafted every year with a general description of the corporate governance system adopted by the Group, as well as information regarding its ownership structure, its organisational model adopted as per Legislative Decree No. 231 of 2001 and its degree of compliance to the Corporate Governance Code for Italian Listed Companies. It also includes the main governance practices used and features of the risk management and internal auditing systems regarding the financial reporting process.

The 'Report on Corporate Governance and ownership structure' is available under Investor Relations – Corporate Documents – 2017 Shareholder Meeting on the Company website (www.esprinet.com).
The Corporate Governance Code for Italian Listed Companies is available on the Borsa Italiana S.p.A. site at www.borsaItaliana.it.

Pursuant to article 70, section 8, and article 71, section 1-bis, of the Issuers' Regulations issued by Consob, on 21 December 2012 the Board of Directors of Esprinet S.p.A. resolved to make use of the right to waive the obligations to publish the information documents stipulated for significant transactions relating to mergers, demergers, increases in capital by the contribution of goods in kind, acquisitions and transfers.

Activities and structure of the Esprinet Group

1. Description of the activities

Esprinet S.p.A. (hereafter 'Esprinet' or the 'parent company') and its subsidiaries (the 'Esprinet Group' or the 'Group') operate in Italy, Spain and Portugal.

The Group is active in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics, and is now the biggest distributor in Southern Europe and the 4th in Europe, having brought to completion a strategy fully focused on pure 'business-to-business' ICT distribution, specifically addressed to achieve the leadership in each country where the Group operates.

In the Italian market, the distribution of IT products (hardware, software, value-added services) and consumer electronics constitutes the Group's primary business. Besides the more traditional IT products (desktop PCs, notebooks, printers, copiers, servers, standard software etc.) and to their 'consumables' (cartridges, tapes, toners, magnetic supports), the Group also distributes tablet, mobile devices (smartphones) and their accessories, networking products (modems, routers, switches), state-of-the-art digital and entertainment products such as TVS, photo cameras, video cameras, videogames and MP3/MP4 readers.
The 'sales by product family and customer type' section provides a more detailed description of the main product categories marketed.

The Esprinet Group distributes branded IT products (hardware and software), mobile devices and, by its subsidiary Celly S.p.A., in the wholesale distribution of accessories for mobile devices, pitching itself at a customer base made up of resellers that in turn target both consumer and business users. Its markets in geographical terms are Italy and Iberian Peninsula.

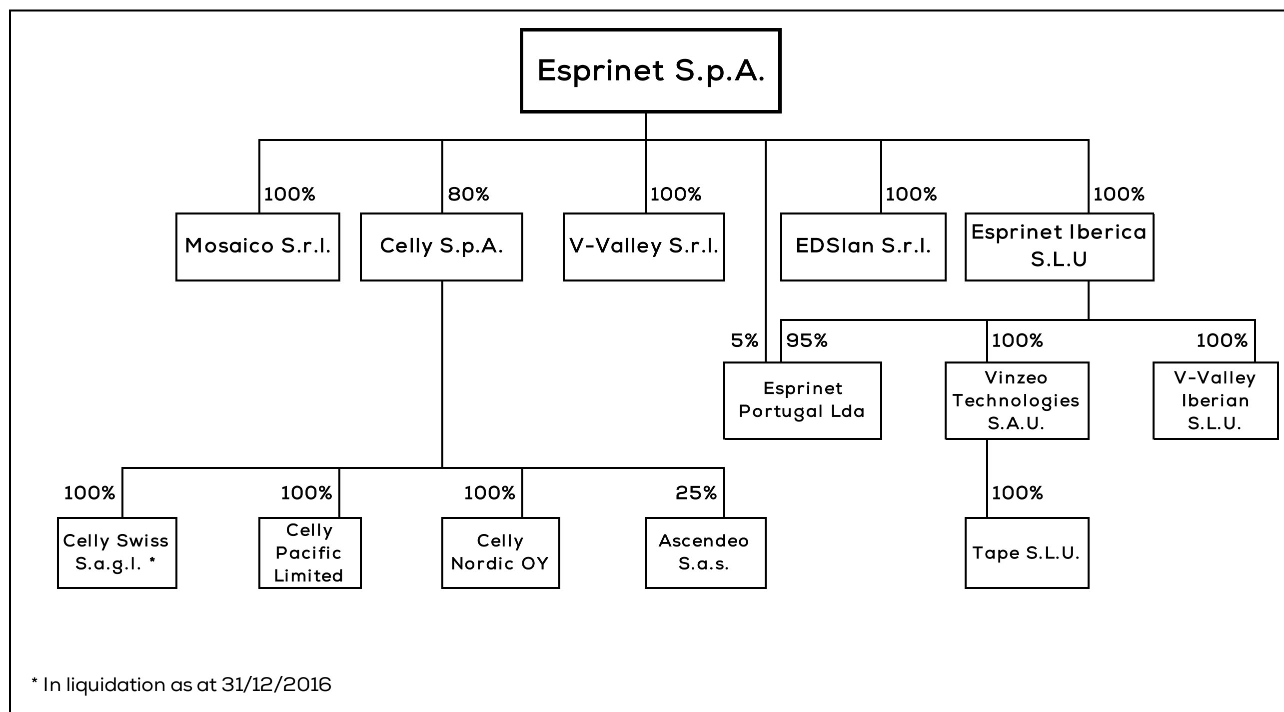
The range marketed by the Group consists of over 600 brands by more than 200 primary standing technology manufacturers (vendors), including all the world's leading technology manufacturers (HP, Apple, Samsung, Asus, Lenovo, Dell, Microsoft, Acer, Fujitsu and Epson, to name just a few).
The Group has also been distributing, in both geographic markets, house-branded products commissioned by third parties; these brands are Nilox, for entertainment sport products and PCs accessories, and Celly for mobile devices accessories.

Customers, made up of the various types of IT resellers present in the Italian and Iberians markets, range from value-added resellers (VAR) to system integrators/corporate resellers, from dealers to shops (independent and/or affiliated stores), from major general and/or specialist retailers to sub-distributors.
Total professional customers in 2016 in the B2B market were approx. 40.000, approx. 25,000 of which in Italy and approx. 15,000 in Spain.

Logistics activities are carried out at the four main logistics centres at Cambiago (MI), Cavenago (MB) Zaragoza (Spain) and Madrid (Spain), all leased premises, totalling approx. 135,000 sqm (approx. 85,000 sqm in Italy and 50,000 sqm in Spain).

2. Group Structure

The chart below illustrates the structure of the Esprinet Group as at 31 December 2016:



In legal terms the parent company, Esprinet S.p.A., was formed in September 2000 following the merger of the two leading distributors operating in Italy: Comprel S.p.A. and Celomax S.p.A..
The Esprinet Group later assumed its current composition as a result of the carve-out from the parent company of micro-electronic components and 'high-value' products distribution activities, the acquisitions and mergers through incorporation and disposals of companies made between 2005 and 2016.

References to Subgroup Italy and Subgroup Iberica can be found in next comments and tables.
At period end, the 'Subgroup Italy' includes, the parent company Esprinet S.p.A., as well as its directly controlled subsidiaries V-Valley S.r.l., Celly S.p.A., EDSlan S.r.l. and Mosaico S.r.l., the latter consolidated from 9 April and 1 December 2016 respectively.
With reference to the 'Subgroup Italy' It should be highlighted that on 28 April 2016, Esprinet S.p.A. sold its shares (equal to 9.52% of the total share capital) in the associated company Assocloud S.r.l..

For further information regarding the acquisition and disposal transactions please refer to the paragraphs 'Significant events occurred in the period' and 'Business combinations'.

The subsidiary Celly S.p.A., a company operating in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics and more specifically in the wholesale distribution of accessories for mobile devices, includes also its wholly-owned subsidiaries:
- Celly Nordic OY, a Finnish-law company;
- Celly Pacific LTD, a Chinese-law company;
- Celly Swiss SAGL, a Helvetic-law company (in liquidation from 31 December 2016);

all of which are operating in the same segment as the Holding Company, as well as Celly's 25% share in Ascendeo SAS, a French-law company.

At the same date, the Iberian Subgroup is made up by the Spain-law or Portuguese-law subsidiaries operating in the Iberian Peninsula, i.e. Esprinet Iberica S.L.U. as well as its controlled companies, Esprinet Portugal Lda, V-Valley Iberian S.L.U., consolidated from 1 December 2016, and Vinzeo

Technologies S.A.U.. This was acquired and consolidated from 1 July 2016 with its wholly controlled company, Tape S.L.U..

Esprinet S.p.A. has its registered and administrative offices in Italy in Vimercate (Monza e Brianza), while warehouses and logistics centres are located in Cambiago (Milan) and Cavenago (Monza e Brianza).
Esprinet S.p.A. uses Banca IMI S.p.A. as its specialist firm.

Subgroup Italy

Celly S.p.A. and its foreign subsidiaries

Established in 1998, Celly S.p.A is headquartered in Italy and is specialized in the design, production and distribution of mobile devices accessories. The Company has always been focussing on the development of concepts such as 'Italian identity' and 'quality' for its Celly branded products.

On 12 May 2014 Esprinet S.p.A. bought a 60% stake in the share capital of Celly S.p.A.. This deal was executed through a purchase of shares from former shareholders as well as company's own shares and, ultimately, the subscription of a share capital increase.

On July 20th, Esprinet S.p.A acquired 20% stake in Celly S.p.A. from GIR S.r.l., a company owned by Claudio Gottero, Celly's former co-Chief Executive Officer. As consequence of this acquisition, Esprinet owns 80% in Celly's share capital.

Celly S.p.A. wholly owns the companies operating in the same industry Celly Nordic OY, Celly Pacific LTD and Celly Swiss SAGL (in liquidation from 31 December 2016).

V-Valley S.r.l.

Established in June 2010 as Master Team S.r.l. and named V-Valley S.r.l. in September, the company is headquartered in Vimercate (MB), and is 100%-owned by Esprinet S.p.A..

In this company, in fact active since December 2010, the distribution of 'high-value' products and solutions (high-end servers, networking and storage, virtualization, security software, bar-code scanning, mainly) has been concentrated.

EDSLan S.r.l..

EDSlan S.r.l. established on 24 March 2016, started operating from 9 April 2016, having bought the distribution business unit referring to the networking, cabling & Efficiency Energy, PBX, Phone, Videoconference & UCC as well as Measuring instruments from pre-existing company EDSlan S.p.A, 11th Italian distributor in 2015, on the previous date.

EDSlan S.r.l. is an independent company in the Esprinet Group, established to face the market of complex technological solutions in an even more effective and efficient way, by enlarging the product range and the addressable market.
Its customers are 'VAR-Value Added Resellers', system integrators, telco resellers and TelCos, as well as installers and technicians.
Its main suppliers include Hewlett Packard Enterprise Networking, Aruba Networks, Huawei Enterprise, Brocade Networks, Alcatel-Lucent Enterprise, Watchguard, Allied Telesis Panduit, CommScope, Audiocodes and Panasonic.

Mosaico S.r.l.

Mosaico S.r.l., established on 8 November 2016, started operating from 1 December 2016 having bought the 'VAD-Value Added Distribution' business unit referring to the Italian distribution of IT security software products, networking, as well as server application software from Itway S.p.A., on

the previous day.

The Mosaico technological offering includes ICT Security solutions, Enterprise Software, virtualization and OpenSource / Linux solutions and training, as well as pre and post-sales technical services.
In 2015, the acquired business served more than 700 customers, consisting of Corporate Resellers, System Integrators, Value Added Resellers (VAR) and Tel.Cos..

Itway VAD acquisition is part of Esprinet's strategy aiming at becoming point of reference in the field of complex technological solutions.

Subgroup Iberica

Esprinet Iberica S.L.U.

Originally established by the Group as the non-operating company governed by Spanish law to aid in the Spanish acquisitions effected between the end of 2005 and the end of 2006, due to the mergers through incorporations made in 2007, Esprinet Iberica S.L.U. is now the third distributor in Spain from a standalone point of view. Taking into account the consolidated values, Esprinet Iberica S.L.U. is the market leader in 2016, as consequence of the 2016 business combinations.

Esprinet Iberica's offices and warehouses are in Zaragoza, only approx. 300 km from all the main cities in Spain (Madrid, Barcelona, Bilbao and Valencia) which total over 80% of Spain's IT consumption.

Esprinet Portugal Lda

On April 29th 2015 the new legal entity Portugal Lda was established according to the Portuguese law with the purpose of further enhance Groups' distribution activities in Portugal territory.

Vinzeo S.A.U.

On 1 July 2016 Esprinet S.p.A., through its fully owned subsidiary Esprinet Iberica, completed the purchase of the entire capital of Vinzeo Technologies S.A.U., the fourth largest ICT wholesaler in Spain.
Vinzeo operates many important distribution agreements both in the ICT 'volume' market (i.e. HP, Samsung, Acer, Asus, Toshiba, Lenovo) and in the 'value' one (mainly Hewlett-Packard Enterprise). Since 2009, Vinzeo has been a key distributor of Apple products, including iPhones (since 2014) and Apple Watch (since 2015).
The headquarter is in Madrid, while branch offices are located in Barcelona and Bilbao.

Tape S.L.U.

On 30 May 2016 Tape S.L.U. was established, dealing with the distribution of 'telco' products, notebooks and consumer electronic products, as well as related accessories and services. The company's main target will be the 'Pay per Print' business development. The company was still non-operating as at 31 December 2016.

V-Valley Iberian S.L.U.

V-Valley Iberian S.L.U., established on 28 October 2016, started operating from 1 December 2016, having bought the 'VAD-Value Added Distribution' business unit referring to the peninsula Iberian distribution of IT security software products, networking, as well as server application software from Itway Iberian S.L.U., on the previous day.

V-Valley Iberian's technological offer includes ICT Security solutions, Enterprise Software, virtualization and OpenSource / Linux solutions and training on a selection of products sold, as well

as pre and after-sales technical services.
Customers are represented by Corporate Resellers, System Integrators, Value Added Resellers (VARs) and Tel.Cos..

Associated companies

Ascendeo S.A.S.

The Group owns, through its subsidiary Celly S.p.A., a 25% stake in the capital of the French company Ascendeo S.A.S.., that is responsible for the promotion and management of Muvit brand.

Structure and target market trends

B2B distribution of IT and consumer electronics

The IT distribution chain

Generally speaking, IT and electronic products are distributed in two different ways: direct ('Tier 1') and indirect ('Tier 2').
The former enables suppliers to reach their technology end-users directly, while the latter makes use firstly of an intermediary or distributor and, secondly, of 'resellers'. Very briefly the subjects making up the distribution chain are:

- 'vendors': technology and/or IT products manufacturers who operate under their own brand;
- 'distributors': operators supplying logistics services, storage, credit and marketing. In their turn, distributors can be classified into:
  (i) wide-range distributors, identified by their wide range and high turnover volumes;
  (ii) specialised distributors, the reference point for specific technology for products and services, such as intermediate systems, networking products, Internet and consultancy, training and assistance services;
- 'resellers': mixed operators in terms of size, profits and organisational structures, business models and ways of approaching the end-user.

'Resellers' are traditionally coded in terms of their customer base and type of services or answers offered together with the sales of information systems (consultancy, installation, infrastructure production, systems support, outsourcing, after-sales service, and training).

They are usually identified as per the following categories:

VAR ("Value Added Reseller")	Large-scale retail and specialist sectors
Corporate Reseller	Sub-distribution
System Integrator	Computer shop
Dealer	Shop on-line
Office automation products and consumables specialist	

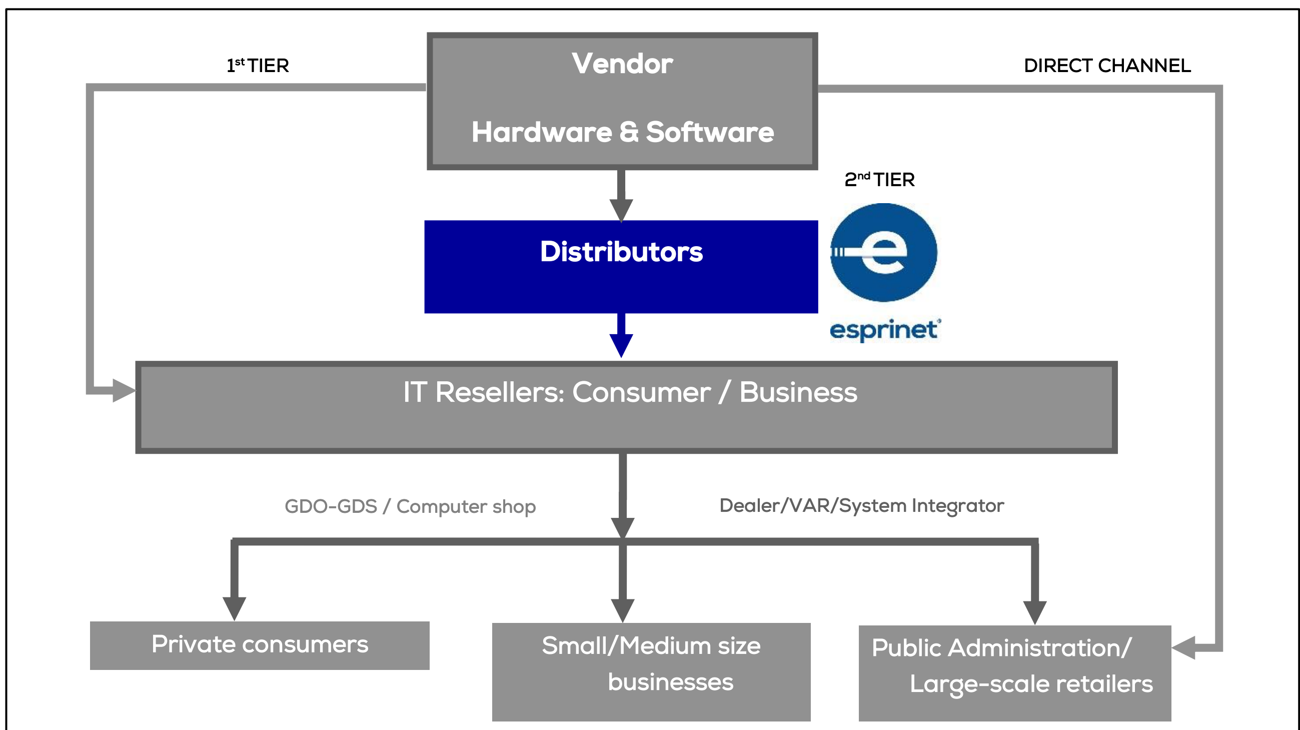
The individual sectors of the business system described above can be further defined in two different ways:

a) the so-called 'addressed' market, which is the total volume of IT product sales made by distributors or effectively passing through the so-called 'indirect channel' (that is, the sales flow that does not pass directly from the producer to the retailer or from the producer to the IT end-user);

b) the so-called 'addressable' market, which is the volume of IT product sales which can be made by distributors or effectively moved through the so-called 'indirect channel' (with the sole exclusion of hardware equipment such as mainframes or application software such as ERP etc., which by their very nature cannot be intercepted by distributors.).

It follows that the size of the sector must therefore be considered by analysing:
- IT demand (end-user consumption);
- the size of the distribution sector (that is the actual value of the sales effected by distributors or the value of the sales that can be guided by distributors according to the intrinsic nature of the products themselves).

The chart below illustrates the typical IT products distribution chain:



<u>Europe</u>

The distribution industry generated revenues in 2016 for approx. 62.3 billion euro, up +1.6% with respect to 61.4 billion euro in 2015, as measured by the English company, Context (Jan 2017), with reference to a distributors panel representative of the general trend. Namely, the second half, up +1.6% compared to the previous year values, shows a growth rate higher than the one recorded at the end of the first half.

Being the first market in Europe, UK accounts for the largest share in results, up 8.7%, while the German distribution market (the second largest in Europe) decreased by about -0.6% compared to 2015. France also ended with a negative result (-1.2%), while Italy (+0.9%) and Spain (+1.2%) show positive figures.

The table below summarises the distribution trend in the first two quarters, as well as in the first half of the current year compared with the same periods of the previous year:

Y-o-Y by country	3Q16 vs 3Q15	4Q16 vs 4Q15	2H 2016 vs 2H 2015	FY16 vs 15
Total	2,8%	0,8%	1,6%	1,4%
Germany	-3,2%	-1,4%	-2,2%	-0,6%
UK & Ireland	12,9%	10,7%	11,7%	8,7%
France	0,3%	0,7%	0,6%	-1,2%
Italy	1,7%	1,9%	1,8%	0,9%
Spain	4,1%	-4,7%	-1,2%	1,2%
Rest of W Europe	5,7%	-6,5%	-1,4%	-1,1%
Poland	1,3%	-3,4%	-1,5%	-0,5%
Switzerland	8,5%	11,5%	10,2%	7,8%
Sweden	6,0%	-3,3%	0,6%	0,6%
Belgium	2,3%	-7,1%	-3,4%	-2,0%
Denmark	-5,7%	-8,1%	-7,2%	-4,3%
Czech Republic	0,7%	-4,4%	-2,4%	-1,3%
Austria	0,2%	5,5%	3,2%	1,1%
Finland	-10,1%	-4,7%	-6,9%	-4,7%
Norway	-4,8%	7,7%	2,2%	1,4%
Portugal	2,4%	6,4%	4,6%	0,9%
Slovakia	3,7%	-4,8%	-1,5%	0,5%
Baltics	-14,8%	-3,5%	-8,7%	-11,1%

Source: Context, January 2017

Italy

IT, electronics consumption and distribution industry

In 2016, the Italian Information Technology ("IT") and Communication Technology (including TLC) market, as measured by GFK (July 2016) data monitoring a cluster - i.e. sales to individuals which represents approx. 30.0% of Esprinet Italy sales of the year -, recorded a growth of + 2.4% to 16.17 euro billion up from 15.8 billion euro.

Phone devices (+8%) and major household appliances (+2%) resulted as best performers. Photo (-9%) and IT (-2%) segments performed negatively.

In 2016, the Italian distribution market (source: Context, Jan 2016) showed a growth of +0.9% compared to 2015. The analysis by semester reveals an increase in the second half compared to the first half and an increase of +1.8% compared to the second half 2015 evenly spread in the third and fourth quarter 2016 (+1.7% and +1.9% respectively compared to the same periods of 2015).
The tablet segment decreasing by -13% (-40 million euro) contributed to slow down the market trend, with desktops (-5%) and smartphones (-1%) showing negative performance. Notebooks, which account for the largest share of distributor sales, grew by +6% (+51 million euro), driving other traditional categories such as 'monitors' (up by +18%) and 'consumables' (+6%).

According to Context data, Esprinet Italy confirms its leadership in the Italian distribution market in 2016 with a slightly decreasing market share (-100 basis points), mainly in the retailer category.

Spain

IT, electronics consumption and distribution industry

In 2016, the Spanish Information Technology ("IT") and Communication Technology (including TLC) market, as measured by GFK data (Jan 2017) monitoring a cluster - i.e. sales to individuals which represents approx. 50% of Esprinet Iberica sales -, recorded a decrease of - 2% from 9.7 billion euro to 9.5 billion euro.

All categories show negative results, mainly consumer electronics and IT (-4%), photo (-10%) and telecom (-3%), except for office (+2%), major household appliances (+3%) and the healthcare niche (+5%).

In 2016, the Spanish distribution market (source: Context, Jan 2017) showed a growth of +1.2% compared to 2015. Notebook (+3.4%) and virtualization software (+33%) categories ended with a positive result, while processors (-27%) and desktop (-6%) recorded negative results.
Esprinet Iberica also increased its market share in the second half, gaining approx. +100 basis points without including significant acquisition of Vinzeo Technologies carried out by the Esprinet Group in Spain during the year.

Taking into account the Vinzeo contribution, Esprinet Group is in the first position in the Spanish distribution market as well (Source: Company analysis from Channel Partner 2017 data).

Group and Esprinet S.p.A. economic and financial results

Please note that the economic and financial results and those of the relative period of comparison have been drawn up according to IFRSs.

1. Income trend

A) Esprinet Group financial highlights

The Group's main economic, financial and assets results as at 31 December 2016 are as follows:

(euro/000)	2016	%	2015	%	Var.	Var. %
Sales	**3,042,330**	**100.00%**	**2,694,054**	**100.00%**	**348,276**	***13%***
Cost of sales	(2,878,435)	-94.61%	(2,537,190)	-94.18%	(341,245)	*13%*
Gross profit	**163,895**	**5.39%**	**156,864**	**5.82%**	**7,031**	***4%***
Other income	2,838	0.09%	-	0.00%	2,838	*100%*
Sales and marketing costs	(49,871)	-1.64%	(43,974)	-1.63%	(5,897)	*13%*
Overheads and administrative costs	(78,296)	-2.57%	(66,391)	-2.46%	(11,905)	*18%*
Operating income (EBIT)	**38,566**	**1.27%**	**46,499**	**1.73%**	**(7,933)**	***-17%***
Finance costs - net	(2,847)	-0.09%	(4,243)	-0.16%	1,396	*-33%*
Other investments expenses / (incomes)	1	0.00%	(9)	0.00%	10	*-111%*
Profit before income taxes	**35,720**	**1.17%**	**42,247**	**1.57%**	**(6,527)**	***-15%***
Income tax expenses	(8,850)	-0.29%	(12,206)	-0.45%	3,356	*-27%*
Net income	**26,870**	**0.88%**	**30,041**	**1.12%**	**(3,171)**	***-11%***
Earnings per share - basic (euro)	0.52		0.59		(0.07)	-12%

Consolidated sales equal to 3,042.3 million euro showed an increase of +13% (348.3 million euro) compared to 2,694.1 million euro as of 31 December 2015. With equal consolidation perimeter, estimated consolidated sales would have been equal to 2,654.0 million euro, decreased by -1.49% compared to 2015.

The consolidated gross profit totalled 163.9 million euro and showed an increase of +4% (+7.0 million euro) compared to 2015 as a consequence of higher sales only partially counterbalanced by a decrease in gross profit margin. With equal consolidation perimeter, estimated consolidated gross profit would have been equal to 145.0 million euro, decreased by -7.56% compared to 2015.

Other income, amounting to 2.8 million euro, refers entirely to the gain realized from the newly established company, EDSlan S.r.l., for the business unit acquisition relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors.

Operating income (EBIT), equal to 38.6 million euro at 31 December 2016, showed a reduction of -17% compared to 31 December 2015 (46.5 million euro) as consequence of higher operating costs, affected by 4.8 million euro of non-recurring costs sustained both in Italy and Spain mainly in business combinations and in warehouse expansions, which more than compensated the income realised by the subsidiary EDSlan S.r.l.. EBIT margin decreased to 1.27% from 1.73%, due to a lower consolidated gross profit margin, being the incidence of operating costs substantially in line (-4,21% in 2016 vs -4,09% in 2015). With the same consolidation perimeter, net of non-recurring costs and income relating to business combinations, 12-month EBIT would have been equal to 31.8 million euro (-31.59%).

Profit before income taxes equal to 35.7 million euro, (-15% compared to 31 December 2015), showed a lower decrease than EBIT thanks to a 1.4 million euro improvement in financial charges.

Consolidated net income was equal to 26.9 million euro, showing a decrease of -11% (-3.2 million euro) compared to 31 December 2015.

Earnings per ordinary share as at 31 December 2016, equal to 0.52 euro, showed a decrease of -12% compared to 31 December 2015 (0.59 euro).

(euro/000)	31/12/2016	%	31/12/2015	%	Var.	*Var. %*
Fixed assets	124,516	58.59%	101,083	90.50%	23,434	*23%*
Operating net working capital	102,046	48.01%	34,512	30.90%	67,534	*196%*
Other current assets/liabilities	276	0.13%	(12,607)	-11.29%	12,883	*-102%*
Other non-current assets/liabilities	(14,305)	-6.73%	(11,296)	-10.11%	(3,009)	*27%*
Total uses	**212,533**	**100.00%**	**111,692**	**100.00%**	**100,841**	***90%***
Short-term financial liabilities	151,885	71.46%	29,314	26.25%	122,571	*418%*
Current financial (assets)/liabilities for derivatives	483	0.23%	195	0.17%	288	*148%*
Financial receivables from factoring companies	(1,492)	-0.70%	(2,714)	-2.43%	1,222	*-45%*
Other financial receivables	(5,596)	-2.63%	(507)	-0.45%	(5,089)	*1004%*
Cash and cash equivalents	(285,933)	-134.54%	(280,089)	-250.77%	(5,844)	*2%*
Net current financial debt	(140,653)	-66.18%	(253,801)	-227.23%	113,148	*-45%*
Borrowings	28,833	13.57%	65,138	58.32%	(36,305)	*-56%*
Debts for investments in subsidiaries	8,660	4.07%	5,222	4.68%	3,438	*66%*
Non-current financial (assets)/liab. for derivatives	28	0.01%	224	0.20%	(196)	*-88%*
Other financial receivables	(2,292)	-1.08%	(2,696)	-2.41%	405	*-15%*
Net financial debt (A)	(105,424)	-49.60%	(185,913)	-166.45%	80,489	*-43%*
Net equity (B)	317,957	149.60%	297,605	266.45%	20,352	*7%*
Total sources of funds (C=A+B)	**212,533**	**100.00%**	**111,692**	**100.00%**	**100,841**	***90%***

Consolidated net working capital as at 31 December 2016 was equal to 102.0 million euro compared to 34.5 million euro as at 31 December 2015.

Consolidated net financial position as at 31 December 2016, was positive by 105.4 million euro, compared to a cash surplus of 185.9 million euro as at 31 December 2015.
The reduction of net cash surplus was due to both business combinations carried out during the year and the performance of consolidated net working capital as at 31 December 2016 which in turn is influenced by technical events often not related to the average level of working capital and by the

level of utilisation of both 'without – recourse' factoring programs referring to the trade receivables and of the corresponding securization program.

This program is aimed at transferring risks and rewards to the buyer, thus receivables sold are eliminated from balance sheet according to IAS 39.

Taking into account other technical forms of cash advances other than 'without-recourse assignment', but showing the same effects – such as 'confirming' used in Spain –, the overall impact on financial debt was approx. 400 million euro as at 31 December 2016 (approx. 287 million euro as at 31 December 2015).

Consolidated net equity as at 31 December 2016 equal to 317.9 million euro, showed an increase of 20.4 million euro compared to 297.6 million euro as at 31 December 2015.

B) Financial highlights by geographical area

B.1) Subgroup Italy

The main economic, financial and asset results for the Italian subgroup (Esprinet, V-Valley, EDSlan[2], Mosaico[3] and Celly Group) as at 31 December 2016 are hereby summarised:

(euro/000)	2016	%	2015	%	Var.	Var. %
Sales to third parties	1,995,640		1,997,979		(2,339)	*0%*
Intercompany sales	46,506		42,871		3,635	*8%*
Sales	**2,042,146**		**2,040,850**		**1,296**	***0%***
Cost of sales	(1,916,365)		(1,914,761)		(1,604)	*0%*
Gross profit	**125,781**	**6.16%**	**126,089**	**6.18%**	**(308)**	***0%***
Other income	2,838	0.14%	-	0.00%	2,838	*100%*
Sales and marketing costs	(41,913)	-2.05%	(37,867)	-1.86%	(4,046)	*11%*
Overheads and administrative costs	(60,967)	-2.99%	(54,355)	-2.66%	(6,612)	*12%*
Operating income (EBIT)	**25,739**	**1.26%**	**33,867**	**1.66%**	**(8,128)**	***-24%***

Sales totalled 2,042.4 million euro, substantially in line with 2,040.9 million euro of 31 December 2015. Net of effects from EDSlan S.r.l. and Mosaico S.r.l. acquisitions in 2016, sales would have been equal to 1.935,2 million euro, showing a decrease of -3.14% compared to the previous year.

Gross profit, equal to 125.8 million euro, with a gross profit margin of 6.16%, is substantially unchanged from 2015. Net of values from EDSlan S.r.l. and Mosaico S.r.l. acquisitions in 2016, gross profit would have been equal to 117.1 million euro in 2016 (-7.09% compared to 2015).

Other income, amounting to 2.8 million euro, refers entirely to the gain realized from the newly established company, EDSlan S.r.l., for the business unit acquisition relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors.

Operating income (EBIT) equal to 25.7 million euro, showed a decrease of -24% compared to 2015 with an EBIT margin decreased from 1.66% to 1.26% mainly as consequence of higher operating costs affected by non-recurring costs related to business combinations and to the warehouses enlarging (4.1 million euro). Net of business combinations and relating non-recurring charges/income, EBIT would have been equal to 23.5 million euro (-30.6% compared to 2015).

[2] Company active since 9 April 2016.

[3] Company active since 1 December 2016.

(euro/000)	31/12/2016	%	31/12/2015	%	Var.	*Var. %*
Fixed assets	119,337	54.32%	110,166	92.85%	9,172	*8%*
Operating net working capital	94,709	43.11%	18,333	15.45%	76,376	*417%*
Other current assets/liabilities	16,261	7.40%	(1,055)	-0.89%	17,316	*-1642%*
Other non-current assets/liabilities	(10,612)	-4.83%	(8,801)	-7.42%	(1,811)	*21%*
Total uses	**219,695**	**100.00%**	**118,643**	**100.00%**	**101,052**	***85%***
Short-term financial liabilities	122,466	55.74%	29,038	24.48%	93,428	*322%*
Current financial (assets)/liabilities for derivatives	428	0.19%	195	0.16%	233	*119%*
Financial receivables from factoring companies	(1,492)	-0.68%	(2,714)	-2.29%	1,222	*-45%*
Financial (assets)/liab. from/to Group companies	(126,500)	-57.58%	(50,000)	-42.14%	(76,500)	*153%*
Other financial receivables	(509)	-0.23%	(507)	-0.43%	(2)	*0%*
Cash and cash equivalents	(88,651)	-40.35%	(215,589)	-181.71%	126,938	*-59%*
Net current financial debt	(94,258)	-42.90%	(239,577)	-201.93%	145,319	*-61%*
Borrowings	5,849	2.66%	65,138	54.90%	(59,289)	*-91%*
Debts for investments in subsidiaries	7,901	3.60%	5,222	4.40%	2,679	*51%*
Non-current financial (assets)/liab. for derivatives	-	0.00%	224	0.19%	(224)	*-100%*
Other financial receivables	(2,292)	-1.04%	(2,696)	-2.27%	405	*-15%*
Net Financial debt (A)	(82,800)	-37.69%	(171,689)	-144.71%	88,889	*-52%*
Net equity (B)	302,495	137.69%	290,332	244.71%	12,163	*4%*
Total sources of funds (C=A+B)	**219,695**	**100.00%**	**118,643**	**100.00%**	**101,052**	***85%***

Operating net working capital as at 31 December 2016 was equal to 94.7 million euro, compared to 18.3 million euro as at 31 December 2015.

Net financial position as at 31 December 2016 was positive by 82.8 million euro and influenced by the business combinations carried out during the period, compared to a cash surplus of € 171.7 million euro as at 31 December 2015. The impact of both 'without-recourse' sale and securization program of trade receivables as at 31 December 2016 was approx. 133 million euro (approx. 147 million euro as at 31 December 2015).

B.2) Esprinet Iberica

The main economic, financial and asset results for the Iberica Subgroup (Esprinet Iberica, Esprinet Portugal, Tape[4], Vinzeo Technologies[5] and V-Valley Iberian[6]) as 31 December 2016 are hereby summarised:

[4] Company not active as at 31 December 2016.
[5] Company acquired and active since 1 July 2016.
[6] Company active since 1 December 2016.

(euro/000)	2016	%	2015	%	Var.	Var. %
Sales to third parties	1,046,689		696,075		350,614	*50%*
Intercompany sales	-		-		-	*100%*
Sales	**1,046,689**		**696,075**		350,614	***50%***
Cost of sales	(1,008,404)		(665,251)		(343,153)	*52%*
Gross profit	**38,285**	**3.66%**	**30,824**	**4.43%**	**7,461**	***24%***
Sales and marketing costs	(7,940)	-0.76%	(6,035)	-0.87%	(1,905)	*32%*
Overheads and administrative costs	(17,357)	-1.66%	(12,130)	-1.74%	(5,227)	*43%*
Operating income (EBIT)	**12,988**	**1.24%**	**12,659**	**1.82%**	**329**	***3%***

Sales was equal to 1,046.7 million euro, showing an increase of +50% compared to 696.1 million euro of 31 December 2015. Net of values from Vinzeo Tecnologies S.A.U. and V-Valley S.L.U. acquisitions, the increase would have been equal to +3.3% (sales equal to 718.8 million euro).

Gross profit as at 31 December 2016 totalled 38.3 million euro, showing an increase of +24% compared to 30.8 million euro 2015 with a gross profit margin decreased from 4.43% to 3.66%. Net of values from Vinzeo Tecnologies S.A.U. and V-Valley S.L.U. 2016 acquisitions, gross profit margin would have been equal to 28.0 million euro in 2016.

Operating income (EBIT) equal to 13.0 million euro is in line with 2015 value, even if EBIT margin decreased from 1.82% to 1.24%. Net of values from Vinzeo Tecnologies S.A.U. and V-Valley S.L.U. 2016 acquisitions, EBIT would have been equal to 8.5 million euro (-33%).

(euro/000)	31/12/2016	%	31/12/2015	%	Var.	*Var. %*
Fixed assets	79,866	117.72%	65,562	96.63%	14,304	*22%*
Operating net working capital	7,656	11.28%	16,336	24.08%	(8,680)	*-53%*
Other current assets/liabilities	(15,986)	-23.56%	(11,554)	-17.03%	(4,432)	*38%*
Other non-current assets/liabilities	(3,693)	-5.44%	(2,495)	-3.68%	(1,198)	*48%*
Total uses	**67,843**	**100.00%**	**67,849**	**100.00%**	**(6)**	***0%***
Short-term financial liabilities	29,419	43.36%	276	0.41%	29,143	*10559%*
Current financial (assets)/liabilities for derivatives	55	0.08%	-	0.00%	55	*N.S.*
Financial (assets)/liab. from/to Group companies	126,500	186.46%	50,000	73.69%	76,500	*153%*
Other financial receivables	(5,087)	-7.50%	-	0.00%	(5,087)	*N.S.*
Cash and cash equivalents	(197,282)	-290.79%	(64,500)	-95.06%	(132,782)	*206%*
Net current financial debt	(46,395)	-68.39%	(14,224)	-20.96%	(32,171)	*226%*
Borrowings	22,984	33.88%	-	0.00%	22,984	*N.S.*
Non-current financial (assets)/liab. for derivatives	28	0.04%	-	0.00%	28	*N.S.*
Net Financial debt (A)	(22,624)	-33.35%	(14,224)	-20.96%	(8,400)	*59%*
Net equity (B)	90,467	133.35%	82,073	120.96%	8,394	*10%*
Total sources of funds (C=A+B)	**67,843**	**100.00%**	**67,849**	**100.00%**	**(6)**	***0%***

Operating net working capital as at 31 December 2016 was equal to 7.7 million euro compared to 16.3 million euro as at 31 December 2015.

Net financial position as at 31 December 2016, partially influenced by the business combinations occurred in the period, was positive by 22.6 million compared to a cash surplus of 14.2 million euro

as at 31 December 2015. The impact of 'without-recourse' sale of both trade receivables and advancing cash-in of credits was approx. 267 million euro (approx. 140 million euro as at 31 December 2015).

C) Esprinet S.p.A. financial highlights

The main economic, financial, asset result of Esprinet S.p.A. are hereby summarized:

(euro/000)	2016	%	2015	%	Var.	Var. %
Sales	**1,951,845**	100.00%	**2,015,161**	100.00%	**(63,316)**	*-3%*
Cost of sales	(1,848,573)	-94.71%	(1,901,464)	-94.36%	52,891	*-3%*
Gross profit	**103,272**	**5.29%**	**113,697**	**5.64%**	**(10,425)**	***-9%***
Sales and marketing costs	(30,204)	-1.55%	(29,457)	-1.46%	(747)	*3%*
Overheads and administrative costs	(53,556)	-2.74%	(49,803)	-2.47%	(3,753)	*8%*
Operating income (EBIT)	**19,512**	**1.00%**	**34,437**	**1.71%**	**(14,925)**	***-43%***
Finance costs - net	(1,909)	-0.10%	(1,989)	-0.10%	80	*-4%*
Other investments expenses / (incomes)	-	0.00%	(19)	0.00%	19	-
Profit before income taxes	**17,603**	**0.90%**	**32,429**	**1.61%**	**(14,826)**	***-46%***
Income tax expenses	(4,865)	-0.25%	(9,486)	-0.47%	4,621	*-49%*
Net income	**12,738**	**0.65%**	**22,943**	**1.14%**	**(10,205)**	***-44%***

Sales equal to 1,951.8 million euro, decreased by -3% compared to 2,015.2 million euro as at 31 December 2015.

Gross profit equal to 103.3 million euro showed a decrease of -9% compared to 113.7 million euro of 31 December 2015 as a consequence of lower sales and a gross profit margin decreased from 5.64% to 5.29%.

Operating income (EBIT) equal to 19.5 million euro, showed a decrease of -43% compared to 2015 with an Ebit margin decreased from 1.71% to 1.00% also as consequence of higher operating costs (4.5 million euro).

Profit before income taxes equal to 7.6 million euro, decreased by -46% (14.8 million euro) compared to 31 December 2015.

Net income equal to 12.7 million euro, showed a decrease of -44% (10.2 million euro) compared to 31 December 2015.

(euro/000)	31/12/2016	%	31/12/2015	%	Var.	*Var. %*
Fixed assets	121,958	65.31%	113,698	97.17%	8,261	*7%*
Operating net working capital	16,801	9.00%	(13,511)	-11.55%	30,312	*-224%*
Other current assets/liabilities	55,702	29.83%	24,398	20.85%	31,304	*128%*
Other non-current assets/liabilities	(7,721)	-4.13%	(7,580)	-6.48%	(141)	*2%*
Total uses	**186,740**	**100.00%**	**117,005**	**100.00%**	**69,735**	***60%***
Short-term financial liabilities	118,779	63.61%	26,197	22.39%	92,582	*353%*
Current financial (assets)/liabilities for derivatives	428	0.23%	195	0.17%	233	*119%*
Financial receivables from factoring companies	(1,176)	-0.63%	(1,152)	-0.98%	(24)	*2%*
Financial (assets)/liab. From/to Group companies	(151,500)	-81.13%	(55,000)	-47.01%	(96,500)	*175%*
Customers financial receivables	(509)	-0.27%	(507)	-0.43%	(2)	*0%*
Cash and cash equivalents	(80,109)	-42.90%	(205,993)	-176.06%	125,884	*-61%*
Net current financial debt	(114,087)	-61.09%	(236,260)	-201.92%	122,173	*-52%*
Borrowings	2,252	1.21%	61,138	52.25%	(58,886)	*-96%*
Non-current financial (assets)/liab. for derivatives	(377)	-0.20%	(145)	-0.12%	(232)	*160%*
Customers financial receivables	(2,292)	-1.23%	(2,696)	-2.30%	405	*-15%*
Net Financial debt (A)	(114,504)	-61.32%	(177,963)	-152.10%	63,459	*-36%*
Net equity (B)	301,244	161.32%	294,968	252.10%	6,276	*2%*
Total sources of funds (C=A+B)	**186,740**	**100.00%**	**117,005**	**100.00%**	**69,735**	***60%***

Operating net working capital as at 31 December 2016 was equal to 16.8 million euro, compared to -13.5 million euro as at 31 December 2015.
Net financial position as at 31 December 2016, was positive by 114.5 million euro, compared to a cash surplus of 178.0 million euro as at 31 December 2015. The impact of 'without-recourse' sale of trade receivables as at 31 December 2016 was equal to 131 million euro (approx. 145 million euro as at 31 December 2015).

Net equity as at 31 December 2016 is equal to 301.2 million euro.

D) Separate income statement by legal entity

Find below the separate income statement showing the contribution of each legal entities as considered significant.[7]
Should be highlighted that business combination effects started from 9 April 2016 with respect to EDSlan S.r.l., from 1 July 2016 with respect to Vinzeo Technologies S.A.U., from 1 December 2016 with respect to both Mosaico S.r.l. and V-Valley Iberian S.L.U.:

[7] V-Valley S.r.l. is not shown separately being just a 'commission sales agent' of Esprinet S.p.A. while Tape S.L.U. is not shown not being significant

(euro/000)	2016													
	Italy						Iberian Peninsula						Elim. and other	Group
	E.Spa + V-Valley	Mosaico	Celly*	EDSlan	Elim. and other	Total	Esprinet Iberian	Esprinet Portugal	V-Valley Iberian	Vinzeo + Tape	Elim. and other	Total		
Sales to third parties	1,900,972	11,042	30,415	53,212	-	1,995,640	690,275	26,785	741	328,889	-	1,046,689	-	3,042,330
Intersegment sales	50,849	-	1,911	1,678	(7,932)	46,506	20,845	25	-	1,269	(22,139)	-	(46,506)	-
Sales	**1,951,821**	**11,042**	**32,326**	**54,890**	**(7,932)**	**2,042,146**	**711,120**	**26,810**	**741**	**330,158**	**(22,139)**	**1,046,689**	**(46,506)**	**3,042,330**
Cost of sales	(1,848,942)	(10,128)	(18,071)	(47,172)	7,948	(1,916,365)	(683,589)	(26,320)	(673)	(319,961)	22,139	(1,008,404)	46,334	(2,878,435)
Gross profit	**102,879**	**914**	**14,255**	**7,718**	**16**	**125,781**	**27,531**	**490**	**68**	**10,197**	**-**	**38,285**	**(172)**	**163,895**
Gross Profit %	*5.3%*	*8.3%*	*44.1%*	*14.1%*	*-0.2%*	*6.2%*	*3.9%*	*1.8%*	*9.2%*	*3.1%*		*3.7%*		*5.4%*
Other incomes	-	-	-	2,838	-	2,838	-	-	-	-	-	-	-	2,838
Sales and marketing costs	(28,706)	(130)	(8,882)	(4,193)	(2)	(41,913)	(5,916)	(310)	(60)	(1,654)	-	(7,940)	(18)	(49,871)
Overheads and admin. costs	(54,463)	(122)	(3,640)	(2,816)	74	(60,967)	(13,355)	(515)	(50)	(3,438)	-	(17,357)	28	(78,296)
Operating income (Ebit)	**19,710**	**662**	**1,733**	**3,547**	**88**	**25,739**	**8,260**	**(335)**	**(42)**	**5,105**	**-**	**12,988**	**(162)**	**38,566**
EBIT %	*1.0%*	*6.0%*	*5.4%*	*6.5%*	*-1.1%*	*1.3%*	*1.2%*	*-1.2%*	*-5.7%*	*1.5%*		*1.2%*		*1.3%*
Finance costs - net														(2,847)
Share of profits of associates														1
Profit before income tax														**35,720**
Income tax expenses														(8,850)
Net income														**26,870**
- of which attributable to non-controlling interests														203
- of which attributable to Group														26,667

(euro/000)	2015									
	Italy				Iberian Peninsula				Elim. and other	Group
	E.Spa + V-Valley	Celly*	Elim. and other	Total	Esprinet Iberica	Esprinet Portugal	Elim. and other	Total		
Sales to third parties	1,972,531	25,448	-	1,997,979	677,912	18,162	-	696,075	-	2,694,054
Intersegment sales	42,829	2,276	(2,234)	42,871	17,736	9	(17,744)	-	(42,871)	-
Sales	**2,015,360**	**27,724**	**(2,234)**	**2,040,850**	**695,648**	**18,171**	**(17,744)**	**696,075**	**(42,871)**	**2,694,054**
Cost of sales	(1,901,630)	(15,224)	2,093	(1,914,761)	(664,964)	(18,022)	17,735	(665,251)	42,822	(2,537,190)
Gross profit	**113,730**	**12,500**	**(141)**	**126,089**	**30,684**	**149**	**(9)**	**30,824**	**(49)**	**156,864**
Gross Profit %	*5.6%*	*45.1%*	*6.3%*	*6.2%*	*4.4%*	*0.8%*		*4.4%*		*5.8%*
Other incomes	-	-	-	-	-	-	-	-	-	-
Sales and marketing costs	(28,128)	(9,777)	38	(37,867)	(5,862)	(176)	3	(6,035)	(72)	(43,974)
Overheads and admin. costs	(50,466)	(3,869)	(20)	(54,355)	(11,785)	(350)	6	(12,130)	94	(66,391)
Operating income (Ebit)	**35,136**	**(1,146)**	**(123)**	**33,867**	**13,037**	**(377)**	**-**	**12,659**	**(27)**	**46,499**
EBIT %	*1.7%*	*-4.1%*	*5.5%*	*1.7%*	*1.9%*	*-2.1%*		*1.8%*		*1.7%*
Finance costs - net										(4,243)
Share of profits of associates										(9)
Profit before income tax										**42,247**
Income tax expenses										(12,206)
Net income										**30,041**
- of which attributable to non-controlling interests										(280)
- of which attributable to Group										30,321

Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.

2. Operating net working capital

The following table details the operating net working capital indicators compared with those of the previous year:

(euro/000)	31/12/2016			31/12/2015		
	Group	Italy	Iberica	Group	Italy	Iberica
Trade receivables [a]	**388.672**	**283.980**	**104.692**	**251.493**	**192.271**	**59.222**
Trade receivables net of VAT (1)	319.293	232.770	86.522	206.543	157.599	48.944
Sales (2)	3.042.330	1.995.640	1.046.689	2.694.054	1.997.979	696.075
[A] Days Sales Outstanding - DSO (3)	38	43	30	28	29	26
Inventory [b]	**328.886**	**224.075**	**104.811**	**305.455**	**218.316**	**87.139**
[B] Days Sales of Inventory - DSI (4)	42	43	40	44	42	51
Trade payables [c]	**615.512**	**413.346**	**202.166**	**522.436**	**392.254**	**130.182**
Trade payables net of VAT (1)	505.888	338.808	167.079	429.108	321.520	107.588
Cost Of sales	2.878.435	1.916.365	962.070	2.537.190	1.914.761	622.429
Total SG&A	128.167	102.880	25.287	110.365	92.294	18.071
[C] Days Payable Outstanding - DPO (5)	61	61	62	59	58	61
Operating net working capital [a+b-c]	**102.046**	**94.709**	**7.337**	**34.512**	**18.333**	**16.179**
Cash conversion Cycle (days) [A+B-C]	**19**	**25**	**8**	**13**	**13**	**16**
Operating net working capital / Sales	**3,4%**	**4,7%**	**0,7%**	**1,3%**	**0,9%**	**2,3%**

(1) Net of VAT calculated applying the ordinary 22% rate in the case of Subgroup Italy and 21% in the case of Subgroup Spain.
(2) Net of intercompany sales
(3) (Trade receivables net of VAT / Sales and services) * 365.
(4) (Inventory / Cost of sales) * 365.
(5) [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

The level of the Group operating net working capital as at 31 December showed an increase as compared to the previous year end (102.0 million euro versus 34.5 million euro at 31 December 2015).

Based on the net working capital level existing as at 31 December, applying the calculation method described in the notes to the table above, an increase of 12 days in the duration of the Italian Subgroup cash conversion cycle and a corresponding worsening of the net working capital / sales ratio to 4.7% from 0.9% should be highlighted.
The increase in working capital turnover was due to a significant worsening of the average DSO.
The Spanish Subgroup showed better results in the working capital level and in the working capital / sales ratio down from 2.3% to 0.7%, featuring a better stability in the cash conversion cycle.

During 2016, the revolving program of 'without-recourse' sale of receivables continued as part of the processes concentrating on the management of operating net working capital both in Italy and in Spain, focusing on selected customer types, mainly in the large-scale distribution sector. Taking into account also technical forms of factoring other than 'no recourse assignment', but with similar effects – i.e. confirming in Spain – as well as securitisation, the overall impact on financial debt was approx. 400 million euro (287 million euro as at 31 December 2015). These transaction result in a reduction in spot DSO.

The following table illustrates the Esprinet S.p.A. working capital trend in the last two financial years:

(euro/000)	Esprinet S.p.A.	
	31/12/2016	31/12/2015
Trade receivables [a]	**190,146**	**162,618**
Trade receivables net of VAT [1]	155,857	133,293
Sales [2]	1,901,338	1,972,409
[A] Days Sales Outstanding - DSO [3]	30	25
Inventory [b]	**207,876**	**211,620**
[B] Days Sales of Inventory - DSI [4]	41	41
Trade payables [c]	**381,221**	**387,749**
Trade payables net of VAT [1]	312,476	317,827
Cost of sales [5]	1,845,716	1,899,659
Total SG&A [6]	83,138	80,091
[C] Days payables Outstanding - DPO [7]	59	59
Operating net working capital [a+b-c]	**16,801**	**(13,511)**
Cash conversion Cycle (days) [A+B-C]	**12**	**7**
Operating net working capital / Sales	**0.9%**	**-0.7%**

[1] Net of VAT measured by applying the ordinary 22% rate.
[2] Net of intercompany sales amounting to 50.5 million euro (42.8 million euro in 2015) as shown in the table in the separate financial statements.
[3] (Trade receivables net of VAT / Sales and services) * 365.
[4] (Inventory / Cost of sales) * 365.
[5] Net of intercompany costs amounting to 2.6 million euro (1.8 million euro in 2015) as shown in the table shown in the separate financial statements.
[6] Net of intercompany costs and recharges of 0.6 million euro (0.8 million euro in 2015) as shown in the table shown in the separate financial statements.
[7] [Trade payables net of VAT / (Purchases + Cost of services and other Operating costs)] * 365.

As at 31 December 2016 the duration of the entire cash conversion cycle of Esprinet S.p.A. increased and the ratio between operating net working capital and sales reached +0.9% from -0.7% in 2015. Based on the method adopted as described in the table notes, such increase results from a DSO ratio worsening, while DPO ratio remained stable. In fact the deterioration in DSO ratio was mainly due to a lower use of technical forms of receivables disposition.

The total effect of these revolving programs (for without-recourse sale of receivables, focusing particularly on selected customer sectors) on the level of financial debt at year-end was approx. 133 million euro (approx. 147 million euro as at 31 December 2015).

3. Net Financial Position

The tables below show the contributions of Italian Subgroup and Iberian Subgroup to the Group's net financial position (or 'net financial debt' or 'net financial indebtedness') as at 31 December 2016:

	31/12/2016			31/12/2015			Var. Group
	Italy	Iberica	Group	Italy	Iberica	Group	
Short-term financial liabilities	122,466	29,419	151,885	29,038	276	29,314	122,571
Customers financial receivables	(509)	(5,087)	(5,596)	(507)	-	(507)	(5,089)
Current financial (assets)/liabilities for derivatives	428	55	483	195	-	195	288
Financial receivables from factoring companies	(1,492)	-	(1,492)	(2,714)	-	(2,714)	1,222
Financial (assets)/liab. from/to Group companies	(126,500)	126,500	-	(50,000)	50,000	-	-
Cash and cash equivalents	(88,651)	(197,282)	(285,933)	(215,589)	(64,500)	(280,089)	(5,844)
Net current financial debt	**(94,258)**	**(46,395)**	**(140,653)**	**(239,577)**	**(14,224)**	**(253,801)**	**113,148**
Borrowings	5,849	22,984	28,833	65,138	-	65,138	(36,305)
Debts for investments in subsidiaries	7,901	759	8,660	5,222	-	5,222	3,438
Non-current financial (assets)/liab. for derivatives	-	28	28	224	-	224	(196)
Customers financial receivables	(2,292)	-	(2,292)	(2,696)	-	(2,696)	405
Net financial debt	**(82,800)**	**(22,624)**	**(105,424)**	**(171,689)**	**(14,224)**	**(185,913)**	**80,489**

The Group's net financial situation at year-end showed a 105.4 million euro cash surplus, down 80.5 million euro compared to the 185.9 million euro surplus recorded at 31 December 2015.

The following table shows the trend in the relative weight of the individual companies making up the Subgroup Italy:

(euro/000)	31/12/2016					31/12/2015		
	Esprinet	Celly*	EDSlan	Mosaico	V-Valley	Esprinet	Celly*	V-Valley
Short-term financial liabilities	118,779	1,014	2,628	-	46	26,197	2,569	272
Customers financial receivables	(509)	-	-	-	-	(507)	-	-
Current financial (assets)/liabilities for derivatives	428	-	-	-	-	195	-	-
Financial receivables from factoring companies	(1,176)	-	-	-	(316)	(1,152)	-	(1,562)
Financial (assets)/liab. from/to Group companies	(151,500)	5,000	10,000	10,000	-	(55,000)	5,000	-
Cash and cash equivalents	(80,109)	(3,277)	(1,095)	(1,718)	(2,452)	(205,993)	(4,714)	(4,882)
Net current financial debt	**(114,087)**	**2,737**	**11,533**	**8,282**	**(2,722)**	**(236,260)**	**2,855**	**(6,172)**
Borrowings	2,252	3,000	597	-	-	61,138	4,000	-
Debts for investments in subsidiaries	-	-	-	3,959	-	-	-	-
Non-current financial (assets)/liab. for derivatives	(377)	-	-	-	-	(145)	-	-
Customers financial receivables	(2,292)	-	-	-	-	(2,696)	-	-
Net financial debt	**(114,504)**	**5,737**	**12,130**	**12,241**	**(2,722)**	**(177,963)**	**6,855**	**(6,172)**

* Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.

Its role as IT production chain distributor means that the level of net financial indebtedness of the Esprinet Group is heavily influenced by the typical working capital needs related to the performance of its activities.

This level fluctuates dramatically not only along the calendar year but also during each month and each day, due not only to the seasonable nature of the business, but for the most part also to the concentration of payments received from customers and/or factors at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.

For this reason, the figure resulting at the end of the period, as at 31 December 2016, or at the end of each month or quarter, is not representative of the average net financial indebtedness customarily observable during the same period.

The current bank indebtedness increased significantly vs the non-current portion compared to 31 December 2015 as a consequence of two loans being booked in the current liabilities due to the failure to meet two common covenants, as per management estimation, which entitle the lenders to demand early repayment in the event of failure to meet any one covenant. These loans were granted by Esprinet S.p.A. for a total principal of 58.8 million euro as at 31 December 2016.

As better detailed in the next paragraph named 'Subsequent events', on 28 February 2017 the most important loan was replaced by a new one amounting to 210 million euro aimed, among other things, at the repayment of the existing one. With respect to the other loan, equal to 10 million euro, a waiver will be formally requested to the granting institute, since it belongs to both the new and the old pool of banks.

4. Sales by product family and customer type

Group sales by product family and customer type

Sales by product family

(euro/million)	2016	%	2015	%	Var.	% Var.
PCs - notebooks	714.8	23.5%	562.4	20.9%	152.4	*27%*
TLC	677.5	22.3%	571.1	21.2%	106.4	*19%*
Consumer electronics	274.5	9.0%	264.0	9.8%	10.5	*4%*
PCs - desktops and monitors	268.7	8.8%	264.0	9.8%	4.7	*2%*
Consumables	222.8	7.3%	234.8	8.7%	(12.0)	*-5%*
PCs - tablets	182.1	6.0%	189.2	7.0%	(7.1)	*-4%*
Software	134.4	4.4%	110.2	4.1%	24.2	*22%*
Peripherical devices	123.8	4.1%	121.8	4.5%	2.0	*2%*
Storage	114.9	3.8%	113.7	4.2%	1.2	*1%*
Networking	104.9	3.4%	58.0	2.2%	46.9	*81%*
Servers	52.4	1.7%	47.3	1.8%	5.1	*11%*
Services	23.6	0.8%	19.6	0.7%	4.0	*20%*
Other	148.0	4.9%	138.0	5.1%	10.0	*7%*
Group sales	**3,042.3**	**100%**	**2,694.1**	**100%**	**348.2**	***13%***

The analysis by product highlights a significant increase in 'PC-notebook' (+27%), 'TLC' (+19%) and 'Networking' (+81%) categories.

The categories 'Services' (+20%), 'Software' (+22%), 'Server' (+11%), and 'Pc-desktop and monitors' (+2%) show positive results, as opposed to the negative trend of 'Consumables' (-5%), and 'Pc-tablet' (-4%).

Sales by Customer type

(euro/million)	2016	%	2015	%	Var.	% Var.
Dealers	798.9	26.3%	753.0	0.3	45.9	6.1%
GDO/GDS	865.9	28.5%	755.5	0.3	110.4	14.6%
Vars	615.9	20.2%	410.2	0.2	205.7	50.2%
Office/Consumables dealers	360.2	11.8%	428.6	0.2	(68.4)	-16.0%
Shop on-line	277.3	9.1%	208.6	0.1	68.7	32.9%
Sub-distributors	124.1	4.1%	138.2	0.1	(14.1)	-10.2%
Group Sales	**3,042.3**	**100%**	**2,694.1**	**100%**	**348.2**	***13%***

The sales analysis by customer type shows an improvement in the channels 'Shop on-line' (+33%) 'GDO/GDS' (+15%), as well as in large business customers ('VAR-Value Added Reseller', +50%) and in small-medium business customers ('Dealer', +6%) as compared to 2015. On the contrary, 'Sub-distribution' and 'Office/consumables dealers' channel showed a decrease of -10% and -16% respectively.

Esprinet S.p.A. sales by product family and customer type

The following are the same breakdowns of sales performance of Esprinet S.p.A. during the year:

Sales by product family

(euro/million)	2016	%	2015	%	Var.	% Var.
TLC	424.0	21.7%	501.8	24.9%	(77.8)	*-16%*
PCs - notebooks	295.6	15.1%	299.3	14.9%	(3.7)	*-1%*
Consumer electronics	224.0	11.5%	214.9	10.7%	9.1	*4%*
Consumables	207.4	10.6%	218.0	10.8%	(10.6)	*-5%*
PCs - desktops and monitors	185.3	9.5%	178.7	8.9%	6.6	*4%*
Software	115.8	5.9%	99.2	4.9%	16.6	*17%*
PCs - tablets	96.3	4.9%	104.1	5.2%	(7.8)	*-8%*
Storage	92.9	4.8%	92.8	4.6%	0.1	*0%*
Peripherical devices	91.4	4.7%	95.7	4.7%	(4.3)	*-4%*
Servers	44.3	2.3%	41.8	2.1%	2.5	*6%*
Networking	42.0	2.2%	35.8	1.8%	6.2	*17%*
Services	20.3	1.0%	17.8	0.9%	2.5	*14%*
Other	112.6	5.8%	115.1	5.7%	(2.5)	*-2%*
Group sales	**1,951.8**	**100%**	**2,015.0**	**100%**	**(63.2)**	***-3%***

The breakdown of sales by product family underlines an increase mainly referring to 'Software' (+17%), 'Networking' (+17%), 'Server' (+6%) and 'Service' (+14%), while the other categories show an overall decrease mainly in 'TLC' (-16%); 'PC-Tablet' (-8%), 'Consumables' (-5%) and ' Printer & Multifunction' (-4%).

Sales by Customer type

(euro/million)	2016	%	2015	%	Var.	% Var.
Dealers	703.3	36.0%	716.8	0.4	(13.5)	-1.9%
GDO/GDS	439.9	22.5%	517.0	0.3	(77.1)	-14.9%
Vars	318.4	16.3%	227.4	0.1	91.0	40.0%
Office/Consumables dealers	243.7	12.5%	310.6	0.2	(66.9)	-21.6%
Shop on-line	178.6	9.2%	163.2	0.1	15.4	9.4%
Sub-distributors	67.9	3.5%	80.2	0.0	(12.3)	-15.3%
Group Sales	**1,951.8**	**100%**	**2,015.2**	**100%**	**(63.4)**	***-3%***

In 2016 'VAR' (+40%) and 'Shop on-line' (+9%) showed an increase, while all other channels, 'Office/consumables dealers' (-22%), 'GDO/GDS' (-15%), 'Sub-distribution' (-15%) and 'Dealer' (-2%) recorded a decrease.

Significant events occurred in the period

The significant events occurred during the year are briefly described as follows:

Shareholders' agreement signed

On 23 February 2016 Francesco Monti, Paolo Stefanelli, Tommaso Stefanelli, Matteo Stefanelli, Maurizio Rota and Alessandro Cattani, disclosed that they entered into a shareholders' voting and blocking agreement (the 'Agreement'), in relation to no. 16,819,135 ordinary shares of Esprinet S.p.A. ('Esprinet' or the 'Company'), representing 32.095% of the entire share capital of the Company.
The abovementioned agreement, in its integral version, was communicated to Consob and filed with the Companies' Register of Monza and Brianza on 24 February 2016.

Purchase of EDSLan

On 8 April 2016 Esprinet S.p.A., through the new-established company EDSlan S.r.l., completed the acquisition of the business activities from EDSlan S.p.A., the 11th largest Italian distributor in 2015[8], active in Italy from 1988 in the networking, cabling, Voip and UCC-Unified Communication & Collaboration segments, with 94 employees together with around twenty sales agents and consultants.
Its main suppliers include Hewlett Packard Enterprise Networking, Aruba Networks, Huawei Enterprise, Brocade Networks, Alcatel-Lucent Enterprise, Watchguard, Allied Telesis Panduit, CommScope, Audiocodes and Panasonic.
In 2015, the acquired business served about 3,000 customers such as 'VAR-Value Added Resellers', system integrators, telco resellers and TelCos, as well as installers and technicians.

In 2015 sales of the purchased business were about 72.1 million euro[9], with an EBITDA[10] of 2.2 million euro.
The price paid, amounting to 7.8 million euro, generated an income of 2.8 million euro.

[8] Source: Sirmi, January 2016

[9] Source: management estimates on preliminary 2015 data, net of the trading activities of the 'merchandising' division, which are not included in the deal.

[10] Source: management estimates on preliminary 2015 data, net of the trading activities of the 'merchandising' division, which are not included in the deal.

The deal gives a boost to the Esprinet Group strategy of focusing on the 'complex technologies' market managed through V-Valley S.r.l., thus reinforcing some segments the Group is already operating in (Networking and UCC - EDI) as well as penetrating new 'analog' markets such as cabling, phone control units, video-conference systems and measuring instruments.

Disposal of shares in Assocloud S.r.l.

On 28 April 2016, Esprinet S.p.A. sold its shares (equal to 9.52% of the total share capital) in the associated company Assocloud S.r.l., operating in the 'cloud computing' business, to the company SME UP S.p.A.. At the same date, the latter also acquired the shares from 8 of the 9 remaining shareholders. The disposal value was equal to the equity value as reported in the latest financial statements approved as at 31 December 2015.

Esprinet S.p.A. Annual Shareholders Meeting

On 4 May 2016 Esprinet Shareholders' meeting approved the separated financial statements for the fiscal year ended at 31 December 2015 and the distribution of a dividend of 0.150 euro per ordinary share, corresponding to a pay-out ratio of 26%.[11]
The dividend payment was scheduled from 11 May 2016, ex-coupon no. 11 on 9 May 2016 and record date on 10 May 2016.

Shareholders' Meeting also approved the first section of the report on remuneration pursuant to paragraph 6 art. 123-ter decree law 58/1998.

The Shareholders' Meeting finally resolved to authorise, subject to prior revocation of former authorization resolved on the Shareholder's Meeting of 30 April 2015, the acquisition and disposal of own shares, within 18 months since the resolution, provided that any such purchase does not exceed the maximum of 5,240,434 ordinary Esprinet shares (10% of the Company's share capital).

Acquisition 100% of Vinzeo Technologies

On 1 July 2016 Esprinet S.p.A., through its fully owned subsidiary Esprinet Iberica, completed the purchase of the entire capital of Vinzeo Technologies S.A.U., the fourth[12] largest ICT wholesaler in Spain.
Vinzeo operates many important distribution agreements both in the ICT 'volume' market (i.e. HP, Samsung, Acer, Asus, Toshiba, Lenovo) and in the 'value' one (mainly Hewlett-Packard Enterprise). Since 2009, Vinzeo has been a key distributor of Apple products, including iPhones (since 2014) and Apple Watch (since 2015).
The headquarter is in Madrid, while branch offices are located in Barcelona and Bilbao, with approx. 160 employees.
The transaction perimeter only includes the wholesale distribution activities. Based on this perimeter, 2015 pro-forma accounts[13] of the acquired perimeter showed sales of approx. 584.4 million euro (+19% compared to 2014) and EBITDA reported of 7.5 million euro.

The equity value agreed in the transaction was 75.5 million euro after adjustments for final figures at 30 June 2016, based on an enterprise value of 57.6 million euro and on the last 12-month average working capital in Vinzeo.

Thanks to the transaction, Esprinet will enlarge both its product range, mainly in smart-phone segment, and its customers and products portfolio in Spain. Esprinet expects to generate significant synergies from the transaction mostly due to the doubling of scale of its Spanish operations.

[11] Based on Esprinet Group's consolidated net profit
[12] Source: management, Channel Partner 2016 (www.channelpartner.es)
[13] Source: management

Acquisition of the business unit 'VAD-Value Added Distributor' from Itway Group

On 30 November 2016 Esprinet S.p.A., completed the acquisition of the IT distribution activities of Itway Group in Italy, Spain and Portugal.
The transaction perimeter focused on the distribution of IT security software (dedicated software and hardware devices) networking (basic infrastructure for connecting PCs and other IT devices) and server software.
The main customers ('VAD' business) are represented by System Integrators, Value Added Reseller (VARs) and Tel.Co.. The offering includes ICT Security solutions, Enterprise Software, virtualization and OpenSource / Linux solutions as well as pre and post-sales technical services and training.

The overall 'pro-forma' sales of the 'VAD business' in FY 2014 and FY 2015 amounted respectively to 48.6 million euro and 57.2[14] million euro. EBITDA amounted to 1.7 million euro.
Total consideration agreed for the transaction is made up of the net asset value of the acquired business plus a total amount of up to 10.8 million euro made up as follows: (i) a fixed amount of 5.0 million euro paid cash at closing data, (ii) variable amount up to a maximum of 5.8 million euro payable after 12 months from closing date conditional upon the achievement of economic and financial targets.

Itway VAD acquisition is part of Esprinet's strategy aiming at becoming point of reference in the field of complex technological solutions.

Breach of financial covenants on Facility Agreement

The Group net financial indebtedness includes a five-year unsecured facility agreement granted by a pool of banks in July 2014 consisting of a Term Loan Facility and a Revolving Facility amounting to 63.7 million euro as at 31 December 2016. This facility agreement is supported by a usual set of financial covenants, whose breech allow the participating banks to claim for an immediate repayment of the outstanding amount.

As at 31 December 2016, according to management calculations, no. 2 covenants were breached. Accordingly, the outstanding was entirely classified under the 'current liabilities' following IFRSs standards.
As better detailed in the next paragraph named 'Subsequent events', on 28 February 2017 the loan was replaced by a new one amounting to 210 million euro aimed, among other things, at the repayment of the existing one.

Subsequent events

Relevant events occurred after the period end are briefly described below:

Syndicated loan of 210.0 million euro

On 28 February 2017, Esprinet S.p.A. signed an unsecured amortising facility agreement with a pool of Italian and Spanish banks for an amount up to 210.0 million euro, consisting of a Term Loan Facility of up 145.0 million euro and a Revolving Facility of 65.0 million euro. This loan has a term of 5 years and is supported by a set of ordinary financial covenants.
The minimum amount for the successful completion of the syndication was set at 175.0 million euro. Although the total amount of participation requests was more than the maximum amount of 210.0 million euro, final amount was fixed at the maximum level.

[14] Source: Esprinet management 'carve-out' from 2015-2014 figures provided by ITway management. Figures are net of intercompany sales, equal to 3.1 million euro

Main purpose of the facility is to re-finance existing outstanding debt in relation to the existing syndicated loan signed on 31 July 2014 - 40.6 million euro of Term Loan facility and 65.0 million euro of Revolving Facility - and to further consolidate financial structure by lengthening the average maturity of financial debt.

Renounce by Giuseppe Calì and Stefania Caterina Calì to the challenge of some 2015 resolutions of the Shareholders' Meeting and the Board of Directors of Esprinet S.p.A..

Mr. Giuseppe Calì and Mrs. Stefania Caterina Calì, which had challenged certain resolutions of the Shareholders' Meeting of the Company taken on 30th April 2015, as well as the Board member Andrea Cavaliere, appointed by the abovementioned minority shareholders, who had challenged certain Board resolutions taken on 4 May 2015 and on 14 May 2015, agreed to renounce the challenge brought.

The abovementioned shareholders and Board member took said decision after having examined with the Company, in the context of the judicial proceeding, the respective positions on a juridical ground. Thereafter, these shareholders and the Board member acknowledged the fairness of the said resolutions taken by the Shareholders' Meeting and by the Board of Directors of the Company.

At the same time, Mr. Cavaliere resigned from the Esprinet S.p.A. Board of Directors. Thus, Esprinet S.p.A. Board of Director submitted to the next Shareholders' Meeting any subsequent decisions.

Outlook

The wholesaler distribution industry in Europe (source: Context, January 2017) grew by +1.4% in 2016, moving from 61.4 billion euro at 2015 to 62.3 billion euro at the end of 2016.
Notwithstanding the Brexit concerns, the United Kingdom showed the most significant increase rate (+8.7%), with an even better second half (+11.7%) compared to the first one. Germany highlights an opposite trend, turning negative in second half and closing at -0.6%. France improved in the second half, but not enough to record a positive result for the whole year (-1.2%).

Italy under-performed in respect of the total Context Panel, closing the year at +0.9%, mainly due to the second half performance. Spain on the contrary shows a +1.2%, due to a strongly negative fourth quarter (-4.7%).

Analysis by product category highlights a growth for notebooks (+6%), monitors (+18%) and consumables (+6%). On the contrary, performance is negative for both tablets (-13%) and desktops (-5%). Similarly to all countries analysed, smartphones performed lower than expected, mainly due to non-repeatable events penalizing one of the main international brand. Huawei and HP were some of the most performing brands, on the contrary, Apple and Microsoft were among the worst. Once again, Esprinet ended 2016 as the first local distributor, with a market share equal to 31.5% - slightly decreasing compared to last year (-0.9%) - without considering the newly acquired companies EDSlan and ITway VAD contribution.

In Spain, phone and notebook categories were the most performing, while processors (-27%), desktops (-6%) and toners (-9%) slowed down the sector overall trend. Huawei is among the best brands followed by Asus, while Toshiba and Acer showed the worst performance. Esprinet Iberica market share increased to 17.9% (+0.9%); taking into consideration also the contribution of activities acquired from Vinzeo, which grew year on year, the Spanish group ranks first (source: management estimation).

Human Resources

Principles

Human resources are considered of primary importance in pursuing Group objectives. The Esprinet Group's HR management and development model mainly aims to motivate and enhance all employees by improving their skills, according to the business development strategy.
Although within a context where the rationalization of costs is paramount, these objectives are achieved, mainly, with the following instruments:
- training targeted and adequate to management needs;
- selection of the best resources coming from the main national schools and universities and constant attention to internal mobility;
- a compensation system based on principles of selectivity and meritocracy linked to the achievement of individual objectives.

Employment

Compared to 31 December 2015 the number of employees of Esprinet S.p.A. increased by No 18units, from 661 to 679.
In 2016 the average number of employees of Esprinet S.p.A. increased by 26 units compared to the previous year, from 644 units to 670 units. The abovementioned increase is mainly due to the EDSlan back office centralisation in Esprinet S.p.A., as well as to intercompany transfers of sales employees useful to manage some brands that moved to Esprinet S.p.A. after EDSlan acquisition.

In fact, during 2016, two extraordinary business unit acquisition occurred in the Italian Group, leading to two new companies creation:
- Edslan S.r.l. (April 2016)
- Mosaico S.r.l. (December 2016)

The trend of the Group employees in the fiscal year under review is represented as follows:

	Executives	Clerks and middle management	Workers	Total	Average [1]
			31/12/2016		
Esprinet S.p.A.	17	660	2	**679**	**670**
V-Valley S.r.l.	-	-	-	**-**	**-**
Celly [2]	3	49	-	**52**	**47**
Edslan S.r.l.	3	70	5	**78**	**78**
Mosaico S.r.l.	1	28	-	**29**	**29**
Subgroup Italy	**24**	**807**	**7**	**838**	**771**
Esprinet Iberica S.L.U.	-	250	61	**311**	**309**
Esprinet Portugal L.d.A.	-	8	-	**8**	**8**
Vinzeo Technologies S.A.U.	-	129	24	**153**	**153**
Tape S.L.U. [3]	-	1	-	**1**	**1**
V-Valley Iberian S.L.U.	-	16	-	**16**	**16**
Subgroup Iberica	**-**	**404**	**85**	**489**	**401**
Esprinet Group	**24**	**1,211**	**92**	**1,327**	**1,172**
			31/12/2015		
Esprinet S.p.A.	18	641	2	**661**	**644**
V-Valley S.r.l.	-	-	-	**-**	**-**
Celly [2]	1	41	-	**42**	**58**
Subgroup Italy	**19**	**682**	**2**	**703**	**701**
Esprinet Iberica S.L.U.	-	256	50	306	288
Esprinet Portugal L.d.A.	-	7	-	7	4
Subgroup Iberica	**-**	**263**	**50**	**313**	**292**
Group	**19**	**945**	**52**	**1,016**	**993**
Var Group 31/12/2016 - 31/12/2015	5	266	40	311	179
Var %	*26.3%*	*28%*	*76.9%*	*30.6%*	*18.0%*

[1] Average of the balance at period-beginning and period-end.
[2] Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.
[3] Tecnologías Avanzadas y Promociones Empresariales, S.L.U., wholly controlled by Vinzeo Technologies S.A.U..

With reference to Esprinet Iberica, an increase of 176 in the labour force can be noticed compared to the previous year, 5 of which in Esprinet Iberica S.L.U., 1 in Esprinet Portugal L.d.A. and the majority (170 units) as consequence of two extraordinary transactions: the acquisition of i) the total share of Vinzeo Technologies S.A.U. and ii) the Information Technology business unit from Itway Group in Italy and Iberian Peninsula, leading to the creation of V-Valley Iberian S.L.U.. in Spain.

The following table shows a significant increase in headcount compared to the previous year due to the abovementioned centralisation of EDSlan S.r.l. back office activities in Esprinet S.p.A., and investments on specific business areas as well as the substitution of absent employees, whose position is to be preserved.

Similarly Esprinet Iberica S.L.U. shows a sharp increase in new personnel compared to the previous year due to the abovementioned acquisitions as well as to the substitution of absent employees, whose position is to be preserved.

	Headcount at 31/12/2015	Increase	Decrease	Headcount at 31/12/2016
Esprinet S.p.A.	661	78	60	679
V-Valley S.r.l.	-	-	-	-
Celly [1]	42	17	7	52
Edslan S.r.l. [2]	-	99	21	78
Mosaico S.r.l. [3]	-	29	-	29
Subgroup Italy	**703**	**223**	**88**	**838**
Esprinet Iberica S.L.U.	306	48	43	311
Esprinet Portugal L.d.A.	7	2	1	8
Vinzeo Technologies S.A.U. [4]	-	168	12	156
Tape S.L.U.	-	1	-	1
V-Valley Iberian S.L.U. [5]	-	16	-	16
Subgroup Iberica	**313**	**235**	**56**	**492**
Group	**1,016**	**458**	**144**	**1,330**

[1] Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.
[2] 95 of which due to EDSlan business unit acquisition.
[3] 29 of which due to ITWAY VAD business unit acquisition.
[4] 159 of which due to Vinzeo Technologies S.A.U. company acquisition.
[5] Increases referred Itway Iberian acquisition.

The table below highlights a constant predominance of women employees in the Group: 55.3% as at 31 December 2016 and 56.9% as at previous year end.

An analysis by subgroup shows a substantial balance in Italy (427 units out of 838) equal to 51%, with a percentage of women employed in Esprinet S.p.A, equal to 53.8%, and a predominance of men in EDSlan S.r.l. instead (62.8%).

With reference to the Iberian Peninsula (Spain and Portugal), women's employment is significantly prevalent (307 units out of 489, equal to 62.8%).
At year end graduates were 35.9% on the total of the Group, while the percentage of high-school leavers was 52.2%.

	31/12/2016										
	Italy					Iberian Peninsula					
	Esprinet S.p.A.	V-Valley S.r.l.	Celly [1]	Edslan S.r.l.	Mosaico S.r.l.	Esprinet Iberica S.L.U.	Esprinet Portugal L.d.A.	Vinzeo Technologies S.A.U. [2]	V-Valley Iberian S.L.U.	Group	%
Men	318	-	27	49	17	117	4	54	7	593	*44.7%*
Women	361	-	25	29	12	194	4	100	9	734	*55.3%*
Total	679	-	52	78	29	311	8	154	16	1,327	*100%*
Graduation	227	-	31	5	13	132	6	53	9	476	*35.9%*
High-School Cerrt.	411	-	20	65	16	138	2	35	6	693	*52.2%*
Secondary School Cert.	41	-	1	8		41	-	66	1	158	*11.9%*
Total	679	-	52	78	29	311	8	154	16	1,327	*100%*

[1] Refers to the subgroup made up of Celly S.p.A., Celly Nordic OY, Celly Swiss S.a.g.l. and Celly Pacific Limited.
[2] Refers to the subgroup made up of Vinzeo Technologies S.A.U. e Tape S.L.U..

Training

During 2016 the Group (Esprinet S.p.A., Celly S.p.A., Edslan S.r.l., Mosaico S.r.l., Esprinet Iberica S.L.U., Vinzeo Technologies S.A.U., V-Valley Iberian S.L.U. ed Esprinet Portugal L.d.A.) provided 21,131 training hours, stable compared to the previous year (21,330).

In particular with reference to Esprinet S.p.A., Celly S.p.A., Edslan S.r.l. and Mosaico S.r.l.:

15,232 training hours were provided, with an increase compared to the previous year (approx. 14,900 hours) of which 2,464 hours referred to privacy, health and safety at work and to the Legislative Decree 231.

During 2016, 3,362 classroom hours of language training were provided, increased compared to 2015 year (2,718). Spanish courses, started at the end of 2015, became fully operational with 887 classroom hours.
With reference to the English language, for which the company strong investments go on, weekly group courses continued, as well as some workshops relating to business English topics.

In 2016 the new training catalogue was completed and published. Training courses were created for three different attendee cluster. The 'starter' employees, which have worked for the company for less than one year, to which mainly internal and technical trainings were provided, having internal managers and specialists as teachers, received 2,732 hours trainings (+400 compared to 2015) engaging 943 participants.

With reference to the 'runner' employees, having more than one year professional experience, and the 'trainer' employees, which have team responsibility, courses were organised with external trainers, useful to enforce the role skills and technical capabilities. These courses involved 311 people, totalling 4,769 classroom hours, again with a sharply increase from 2015 (more than 1000 hours).
Also during 2016 the Company continued to significantly invest in Office suite trainings (720 training hours).

In 2016 a significant training investment was addressed to EDSlan integration making use of internal specialists, with 466 attendees and 1,185 classroom hours.
Moreover, during 2016, two funded training projects ended: the first one, started in 2015, for the language group courses and the second one aimed at strengthening the role skills.

With reference to the Iberian Peninsula, during 2016 5,899 training hours were delivered, with a slight decrease compared to 2015, even if the training effort of the last two years is confirmed.

In 2016, a strong investment in health and safety at work courses was made, with a significant increase in training hours compared to the previous year (2067 compared to the 1335 hours in 2015). Training courses for emergency and first aid teams should be highlighted, also covering the knowledge and usage of defibrillators installed in the buildings.

The training investment sharply increased with reference to the professional improvement/update and skill development courses, for which 1,555 training hours were provided (compared to 1,027 hours of 2015).

With reference to language training courses, English and Italian courses totalled 1,251 training hours in 2016, with a slight decrease compared to the previous year, while still of particular importance in the training field.

Moreover, product training for sales employees supplied by trainers coming from the main vendors also increased. In 2016 the hours provided were 1,014 against 956 in 2015.

During 2016 were provided trainings programmes aiming at improving the stress management, an ambitious project part of a most large company target aiming at improving the working environment making it healthier enabling all the instruments useful to improve both personal and professional employees lives.

As in the previous years, also during 2016, some training activities were arranged thanks to funded training, so called Fundación Tripartita.

Recruitment

In Italy an intensive recruiting activity continued in 2016 aiming at detecting both junior employees and professionals with previous work experience.
Employer branding activities toward new graduates were strengthened, in order to increase the brand awareness for students and graduates in the local universities: Esprinet managers and professional figures shared their experience during master and graduate courses (in both Cattolica and Bocconi universities) in order to explain some best practises and more in general the Company's business model. Besides, field projects, i.e. projects regarding specific company topics, were started by undergraduates thanks to internal Esprinet contacts. Finally, the company was at forefront in carrying on the government *'alternanza scuola-lavoro'* project, hosting 13 students attending third and fourth year at local High-schools for two or three weeks in various departments (i.e. Administration and Technology).

In 2016, 41 young graduates worked as interns in Esprinet S.p.A.. 2 interns were university students who were granted a scholarship by the company in collaboration with the faculty of business economics of Cattolica University and who worked as interns for one month. Excluding 5 still on-going as at 31 December 2016 and 8 that resigned during the internship, 74% of the remaining stagiaires were employed.

in 2016, a new recruiting channel, called 'Link up' started. This is aimed at enhancing the referrals from Group employees. The Job Posting instrument, aimed at enhancing the internal mobility and promoting a professional and inter-functional growth, continued to be used. Also during 2016, the social recruiting channel 'LinkedIn' was largely used, which accounts for 20% hirings in the Company.

Selection methods vary based on the wanted profile from individual interview (340 in 2016) with HR department and line manager to the assessment centre, in respect of which 9 sessions were arranged involving 75 recently graduated applicants, 25 managers and structure coordinators.

Also in Spain the recruiting activities were intensive in 2016, due to both junior employees replacing temporarily absent employees, and professionals with previous work experience and specific skills to manage new business areas, i.e. the new area Audivisual Professional in Esprinet Iberica, or high specialisation business, such as Vinzeo Technologies value area.

A special attention was devoted to recruiting young graduates to on-board as trainees, in order to ensure the Company has a pipeline of talented people to cover any vacancies; during 2016, 45% of internships were converted into job contracts at the end of the professional training period.
The recruitment of young graduates continues to be managed through the maintenance and development of existing agreements with the main Universities and Business Schools and other training bodies, both national and local (Universidad San Jorge, Kühnel, Esic, Montessori, etc.…).
The Job Posting instrument, aimed at enhancing the internal mobility and promoting a professional and inter-functional growth, continued to be used together with the social recruiting channel 'LinkedIn'.

As regards Esprinet Portugal, 2 persons were hired in the commercial area, 1 of which to substitute a resigning Key Account Manager and the other to strengthen the 'inside sales representatives' team.

Development and 'compensation'

In the first half of 2016, 23 calibration meetings were organised aimed at discussing and sharing personnel assessments for 2015, to which 610 Esprinet S.p.A. and Celly S.p.A. employees took part. In 2016 a new tool was introduced, that enables to further digitise the performance valuations. This gives managers the opportunity to enter the training courses requests for their reports directly during the valuation process. In this way performance management, beside detecting both strengths and improving areas for each colleague, also became the main driver for training requests aimed at enhancing role skills. Moreover, it continues to represent a fundamental tool to allow inter-department job rotation and professional growth paths.

In 2016, the compensation policy regarding variable incentives for the employees of Esprinet S.p.A., Edslan S.r.l., Esprinet Iberica S.L.U. and Esprinet Portugal Lda was based on the evaluation of the performance related to the achievement of individual targets (80%), as well as company-wide results (remaining 20%). With reference to Celly S.p.A. both the individual and the company targets were equal to 50%.
With reference to Vinzeo Technologies S.A.U. and to the newly established V-Valley Iberian S.L.U., since the acquisitions occurred during the year (Vinzeo Technologies S.A.U. in July and Itway Iberica in December), the on-going variable incentive schemes were maintained.
For management variable incentives were based only on achievement of Company targets.

For the whole Group a new long-term compensation plan is still on-going for the 2015-2017 period, which affects directors and executives with strategic responsibilities, as well as other Group key managers (Italy and Spain).

Organisation

At the end of 2016, Mr. Giovanni Testa was appointed 'Business Operations Manager', while keeping responsibility for the Corporate activities of management control, datawarehouse, credit and treasury and taking responsibility for coordinating the Esprinet Group commercial activities in Italy, excluding Nilox management. As a consequence, the Sales & Marketing management of the Italian Country was split into 5 macro-areas as follows:

- Consumer Electronics Area, into which 'Consumer division' and 'Cash&Carry' structures were merged;
- Sales IT Volume, which absorbed 'Web Marketing & Web Business department' and 'Tender & Telcos department';
- Marketing IT Volume;
- Sales&Marketing Office Products;
- V-Valley.

Moreover, two new commercial structures were created in the Consumer Area aiming at developing both 'air conditioning' and 'built-in' businesses.

With reference to Esprinet Iberica, 2016 most significant organizational changes were the creation of the new business unit AV PRO, in the Phones and Consumer Electronics market areas, dedicated to the marketing of audio-video solutions in the following professional channels:
- Education (interactive blackboards, touch-monitors, etc.).
- Digital signage (sales outlets, large displays, videowalls, leds, etc.,
- Hospitality (TV's for hotels and hospitals)
- Audio-video solutions for business.

A business Unit reorganisation in the in the Phones and Consumer Electronics market area occurred, aimed at deeply focusing on new business opportunities relating to technological progress of

products which the Business Unit Digital Imaging and PAE (small household appliances) already deals with.
Two new business units were established from this reorganisation:

- Consumer Entertainment, covering the products of BU Digital Imaging, as well as new categories more focused on consumer area and related to photography, TVs, audio-video solutions, projectors and tablets, as well as to the BU Games, which deals with video games and their accessories.
- Home & Smart Life, substituting the BU PAE and focusing on the following categories: Smart Home (specialised on IoT, internet of things, connected appliances for the house automation), Drones, Robotics, Sports and Healthcare.

Hiring of people with disabilities

The agreement between Esprinet S.p.A. and the Province of Monza & Brianza concerning the hiring of 1 disabled person was signed, adding to the one on-going with the Province of Milano (concerning the hiring of 1 disabled person as well).
With reference to Celly, as consequence of the deployments decrease in 2015 following the Rosso Garibaldi disposal, no more disabled people need to be hired. Relating to EDSlan S.r.l., the preceding agreement with the Province of Monza & Brianza concerning the hiring of 3 disabled persons was updated.
In compliance with Law No. 68/69 regarding the hiring of disabled people, Esprinet S.p.A. continued to avail itself of the partial exemption by paying a fee to the Regional Fund for the Employment of the Disabled.
Also, Esprinet S.p.A. received subsidies under Article 13 of Law No. 68/99 regarding the hiring or conversion into permanent contracts of disabled workers.

In 2016 Esprinet Iberica fully complied with the law governing the compulsory hiring of disabled people without any recourse to alternative solutions provided for in case of failure to hire disabled people.

Health, safety and environment

General principles and actions undertaken

The respect for the environment and the protection of health and safety at work has always been at the basis of Esprinet Group operations. It is the Group's precise intention to further maintain, consolidate and improve the leadership position won in its own sector, by continuing to propose innovation in processes and in service to its customers and by simultaneously paying constant attention to safety, to individuals' and collective health by respecting the law and the surrounding environment.

In order to achieve these objectives, the Group has established, documented, implemented and maintained an Integrated Environment, Health and Safety Management System in the workplace.
Esprinet S.p.A. and the subsidiary Esprinet Iberica have the Quality Certification (ISO 9001), the Environmental Certification (ISO 14001) and the Safety on Workplace Certification (OHSAS 18001) whereas Celly S.p.A. has the Quality Certification.
During 2016 all the above said companies received the renewal of Certifications by BSI, a leading international certification body.

The following is a list of the tools considered essential for:

- the pursuit of continuous improvement;
- the reduction of accidents and illnesses in the workplace;
- the minimisation of environmental impact caused by the Group's activities.

Training and involvement

The Group is aware of the role of primary importance played by staff and it is therefore strongly committed to promoting the active involvement, responsibility and professional growth of them.

The constant activity of information and training is fundamental, in order to sensitise the personnel on environmental and safety topics, and on the importance of the contribution of each individual regarding the prevention and improvement of the general conditions of the safety at work and of the environmental efficiency of the company.

Identification and evaluation of risks in the workplace and the environmental impact of operations

The Esprinet Group defines the criteria and method for the continual evaluation of the main environmental aspects, of the risk of misfortune and danger, and of the identification of the corresponding impact. The latter are periodically verified compared to the forecasted objectives, which are defined, monitored, and updated for their continuous improvement.

Compliance with laws and other regulations

Compliance with laws and regulations issued to protect workers' health and safety and for the respect of the environment are values inseparable from the Group's strategic action.

Concluding conduct

The correct management, maintenance and regular checking of plants and equipment is one of the ways that the Group runs 'health, safety and environmental' policies together with checks on any possible use and/or disposal of chemical preparations or compounds whether dangerous or otherwise. This is also outsourced to qualified suppliers accurately selected for their technical/professional expertise and for their products and services which significantly eliminate or reduce the environmental, health or safety risks. These are just some of the methods used by the Group to implement its 'environment, health and safety' policies.

The Group is also engaged in minimising the consumption of natural resources (electricity, gas, water) and of waste production, encouraging recycling where possible.

Effective communication

The Group recognises the importance of the role of 'communication' for all interested parties (personnel, suppliers, contractors and sub-contractors) as the basic element for managing responsibility correctly within the health, safety and environmental protection context.

Audit

Both internal and external audits are an effective tool. They form the basis of company culture and are what determine the performance checks and supervision, including that regarding health, safety and environment.

Membership of waste disposal consortia

Esprinet S.p.A., Celly S.p.A., EDSlan S.r.l. e Mosaico S.r.l. are members of the Remedia consortium. All companies delegate to the abovementioned consortium the operational aspects relating to the 'end of life' products management defined by the regulation regarding the disposal of electric and electronics waste, cells and batteries.
Esprinet Iberica, the Spanish subsidiary, is a member of the Ecotic, Ecopilas and Ecoembes consortia, Vinzeo S.A.U. is a member of Ecoplias and Ecoasimelecand consortia, while Esprinet Portugal is a member of Erp, Ecophilas and Ponto Verde consortia.
Italian companies have also adhered to SISTRI (the waste traceability checking system), founded in 2009 by the Ministry for the Environment and Protection of Land and Sea for computerizing the whole special waste production chain nationally.

Disclosure as per Legislative Decree 32/2007 and its interpretation

In the case of the document approved on 14 January 2009 by the National Council of Accountants and Accounting Experts (Cndcec), aimed at supporting the first application of Legislative Decree 32/2007 concerning information regarding the environment and staff, the following has to be noted.

'Compulsory' disclosure

As regards staff, during the year, no deaths, or serious or very serious accidents occurred and no professional illnesses were reported by employees or former employees, and no Group company was found finally guilty in any 'mobbing' trials.
In the case of the environment, during the year no damages to the environment, or fines or definitive penalties were charged to the company for environmental crimes or damages, nor any emission of greenhouse gases was reported.

'Voluntary' disclosure

In the case of staff, the section 'Human Resources' and the 'General principles and action undertaken' of this chapter provide a complete picture of the policies pursued.

The 'pure' IT products distribution activities (hardware, software and services) and consumer electronic products, undertaken at the three main sites at Cambiago and Cavenago in Italy (approx. 80.000 sqm), and at Zaragoza in Spain (approx. 49.000 sqm), do not create any special problems for the environment. Nevertheless the Group constantly monitors the use of energy at its various premises and has adopted strict disposal procedures for any type of waste.

Main risks and uncertainties facing the Group and Esprinet S.p.A.

Risks classification

Esprinet Group and Esprinet S.p.A. activities are exposed to risk factors able to influence their economic and financial situation.

Esprinet S.p.A. and the Esprinet Group identify, assess and manage risks in compliance with internationally recognised models and techniques such as 'Enterprise Risk Management - Integrated Framework.

Since 2009 the Group adopted an operative and organisational framework able to manage risks and monitor its adequacy in time (the so-called 'ERM-Framework'). It hinges on the methodological model for the creation of an effective 'risk management' system able to involve the actors in the internal audit system at various levels, who are charged with different key roles according to the various control activities.

The identification, assessment, management and monitoring system of the company's main risks is based on a process which involves the performance of the following tasks, at least annually:

- risk scoring and risk assessment of the main company risks;
- identification of 'risk management' priorities;
- identification of a 'risk strategy' and its transfer into action plans orientated to strengthening, improving and monitoring the checking facilities of the risks identified.

The ultimate purpose of the system described is to maintain the risk level within the acceptability threshold defined by the administrative body and supply reasonable support to the furtherance of company objectives.

During 2016 the operational action plan, including an audit plan and a plan of measures aiming at improvements in the case of priority risks, has effectively checked on.
The risk classification is based as follows:
- strategic risks
- operational risks
- compliance risks;
- financial risks.

The annual revision of the company's main risks has substantially confirmed the existing map of the risks.
The following is a brief description of the main risks, these last assessed without taking into consideration the response actions put into force or planned by the Group to bring the seriousness of the risk within acceptable levels.

Strategic Risks

Inadequate response to unfavourable macro-economic scenarios

The Group's economic and financial situation is influenced by various factors which make up the macro-economic contexts of the markets where the Group operates.
These include, but not only, GDP performance, consumer and business confidence levels, the inflation rate, interest rate trends, the cost of raw materials prime and unemployment rates.

In 2016 the European Distributors market grew by +1.4% compared to 2015, with Italy and Spain achieving respectively +0.9% and +1.2%.
The market expectations for 2017 are of a slight growth in Italy and a substantial stability in Spain.

However, the performance of the market could not follow the expectations of the analysts and should these expectations not realize, the financial assets, economic, and financial situation could be negatively influenced.

Inadequate response to customers' and suppliers' demands

Due to its intermediary role within the IT production chain, the Esprinet Group's success largely depends on its ability to address, interpret and meet customers' and suppliers' demands.
This ability translates into a value proposition both at the source and later on in the sales process which differentiated itself from the competition through its adequate and historically superior profitability conditions compared both with its direct and indirect competitors.
Should the Esprinet Group be unable to maintain and renew this value proposition, that is, to develop more innovative offers and competitive services compared than those of its main competitors, the Group's market shares could fall significantly causing a negative impact on its economic and financial position.

Competition

The nature of the Group's trade brokering activities means it operates in highly competitive sectors, both in Italy and in the Iberian Peninsula.
The Group has therefore to operate in a highly competitive context and to compete in the various geographical markets against both strongly rooted local operators and multinational companies significantly larger than the group and with considerably greater resources.
Competition in the IT distribution and electronic consumables sector, the Group's main activity, is measured in terms of prices, availability, quality and variety of products and associated logistic services and pre and after-sale assistance.

The degree of competition is also heightened by the fact that the Group acts as a broker between the large world-wide suppliers of technology and resellers of IT/electronic consumables, which

include operators with high contractual power, including the major retail chains, often with the potential to open supply chains directly with the producers.
The Group also competes with multinational groups of extremely high financial standing, both in Italy and in the Iberian Peninsula.
Should the Esprinet Group be unable to deal effectively with the external situation in question there could be a negative impact on the Group's prospects and operations, as well as on its economic results and financial position.

Moreover, the Group is also exposed to competition from alternative distribution models, whether current or potential, such as those based on direct sales to the user by the producer, even if in the past all the limits of these alternative distribution models have been revealed.
If the 'de-intermediation' situation, already affecting the Group in the markets where it operates, accelerates in the next years, even though not caused by any empiric or economically rational facts, the Esprinet Group could suffer negative repercussions on its economic and financial position.

Price changes

The technological sector is typified by a deflationary price trend linked to high product obsolescence and strong market competition, besides mainly economic factors linked to changes in the value of the USA dollar and the Chinese currency, which are the two main functional currencies for IT products.

The Group is therefore exposed to the risk of falls in IT and electronic product unit prices, if the gross profit margin formed by the difference between the sales prices to retailers and purchasing costs applied by suppliers falls in absolute value when prices applied to the end consumer are lowered. This occurs since it is difficult to pass the higher costs caused by the lowering of prices on to customers in a sector as highly competitive as the distribution sector.

Despite the fact that this risk is lessened by the Group's capacity to limit overheads/fixed costs levels and productivity standards at various levels, thus reducing process costs chiefly linked to physical drivers (e.g. number of transactions, number of products moved in warehouses or forwarded by courier), and despite the fact that the percentile value of the gross sales margin is to some extent independent of reductions in the single prices of products, it is not possible to provide assurances regarding the Group's ability to deal with the technological sector's deflation rates

Business combinations

As an integral part of its strategy for growth, the Group periodically acquires assets (divisions of a company and/or company shareholdings) which are highly compatible in strategic terms with its own area of business.

Such operations, as any other future operation of the same type, run the risk of not being able to activate expected synergies either fully or in part, that is the risk that the explicit and/or implicit costs of integration might outweigh the benefits of the acquisition.
Integration problems are increased by the fact that the companies acquired have to operate in countries and markets other than those where the Group has always operated and which involve specific business and regulatory issues different from those met with so far by the Group.
Such problems arise from the need to align them to standards and policies mainly regarding internal auditing, reporting, information management and data protection procedures, besides to the implementation of suitable coordination and organisational mechanisms between the companies acquired and the rest of the Group.

Therefore it is impossible to give any guarantees about the Group's future success in concluding further acquisitions, neither to maintain the competitive positioning of purchasing target and neither to favourably repeat the proper business model and proposal system.

Operating risks

Dependency on IT systems

The Esprinet Group is strongly dependent on its IT systems in the performance of its activities.
In particular, the viability of its business depends to some extent on the capacity of the IT systems to store and process enormous volumes of data and guarantee elevated standards of performance (speed, quality, reliability and security) that are stable over time.
The critical nature of the IT systems is also heightened by the fact that the Group, because of its business model, relies on Internet for a consistent part of its business, both as an instrument for the transmission of information to its clients, and order-processing and marketing intelligence. Other critical factors are the connections in EDI mode to the IT systems of many vendors, as well as the remote connection to the cash & carry network active in the country.
The Group has invested remarkable resources in the prevention and mitigation of risks linked to its dependency on IT systems and in the improvement of the IT security level (such as the continual maintenance of the hardware installed and the updating of the relative software, the stipulation of insurance policies against damages caused indirectly by possible system crashes, the housing of the data centre in safe environments, the construction of anti-intrusion and anti-virus defences by carrying out penetration tests aimed at verifying the robustness of the abovementioned defences, the continual backup of memory-resident data, the provision of business continuity and disaster recovery plans and the execution of 'shutdown and restart tests on redundant systems').

Despite this, the possibility that the Group might have to suspend or interrupt its sales activities due to systems malfunctioning or actual black-outs cannot be totally excluded.
It is similarly impossible to guarantee that the IT systems of companies and/or businesses acquired will satisfy the Group's minimum reliability and safety requirements at the time of the acquisition.

Medium-/long-term interruptions of logistics chain

The Group's sales activities strongly depend on the correct functioning and efficiency of the logistics chain, thanks to which the products are able to reach their reference markets.
These logistics chains have reached high levels of complexity and the journey of the goods from the factories where the IT and electronic products sold are produced to the end customers could be subject to interruptions due to natural, political and operational events such as natural disasters, changes in trade relations between governments, trade restrictions and embargoes or operators' financial soundness in the various transport and storage stages.

Any unfavourable events in these areas are likely to cause long-term interruptions, which could have a significantly negative impact on the Group's prospects and financial position.

Dependency on suppliers and risk of non-observance of extra-contractual agreements

Overall, the Group has direct contacts with about 200 leading vendors of technology, including IT, electronic consumables and micro-electronic components vendors. The Group has always focused on the distribution of branded goods, earnings from the sale of own-brand products (accessories, consumables, Nilox and Celly micro-computer components) being negligible.
In most cases, trading contacts with the vendors are governed by contracts and/or agreements generally renewed every year.
Despite the high number of vendors in its portfolio, the Esprinet Group presents a certain degree of risk concentration in that the incidence of the first 10 suppliers, accounted for over 77% of consolidated sales (65% in 2015).

A consequence of this situation is that the Group is exposed to the risk of the non-renewal of current distribution contracts and/or inability to replace these contracts effectively.

The Group is also exposed to the risk of significant changes in the terms and conditions of contracts drawn up with vendors, particularly regarding amounts regarding premiums for the attainment of

targets, or the very level and nature of these targets, the sums for co-marketing and development, the policies for protection of the economic value of the stock and commercial returns, payment terms and associated discounts.
These variations, if negative, are likely to have a negative impact on the assets and on the Group's economic and financial results.

Traditionally, however, the Group has been able to negotiate contractual conditions with its counterparts providing a long historical series of positive economic results. The degree of partnership attained with the majority of its suppliers also laid the foundations for significantly consolidated collaborations with the most important suppliers over the years, something also due to the use and maintenance of direct communication channels.

Dependency on suppliers of critical services

The Group's logistics model is based upon the direct warehousing handling and collections and the outsourcing of haulage and delivery services. These activities are of critical importance to the value chain for IT and electronic consumables distributors.
In the case of the first of the activities mentioned, the Group makes use of two porters' co-operatives in Italy. Transport activities are contracted out, both in Italy and in the Iberian Peninsula, to independent outside shippers.
The interruption of contractual relations with the above-mentioned suppliers of services, or a significant reduction in the level of quality and efficiency of the services provided, could have a significant negative impact on the Group's economic and financial results.
These suppliers and the relative industry are continually monitored in order to mitigate any related risk.

Low profit margins

The result of the high level of competition to which the Group is submitted is a low profit margin (gross trading margin and net operating result) in relation to earnings.
These low margins tend to amplify the effects of unexpected variations in sales levels and operating costs on profitability
that can be also negatively impacted from any incorrect decisions concerning the products 'pricing' and the management of discount policies.
It is impossible to guarantee that the Group will also be able to manage its 'pricing' policies with the same care and prudence in the future, in difficult economic situations.
Product margins and customers and the search for the best mix in suppliers and clientele are continually monitored, however, in order to mitigate any possible related risk.

Reduction in value of inventory

The Group is subject to the risk of a reduction in the value of unsold stock as a result of lowered list prices on the part of vendors and economic or technological obsolescence.
it is usual within the sector for the vendors to set up forms of total and/or partial protection, contractual or otherwise, of the financial value of stock in the above-mentioned cases for the benefit of the distributors with direct supply contacts.
Nevertheless, cases of non-fulfilment on the part of the vendors or the failure to activate non-contractual protection can occur.
Further, these protective clauses also come into force solely under certain conditions and are therefore totally controlled and by purchase planning ability in function of market potentiality.
It is not possible to give guarantees regarding the Group's future ability to manage stock levels so that even limited risks of stock devaluation are avoided, or failure to activate the contractual protection provided in the case of the majority of the product suppliers.
The main risk mitigation methods depend on the constant ability to minimise stock levels also due to the support of expert inventory management and demand planning systems based on availability indicators and consequently customer satisfaction, together with the constant monitoring of existing

contractual agreements, in terms of the consolidated practice of the sector which traditionally believes that suppliers are also likely to protect the value of stock.

Dependency on key managers

The activity and development of the Esprinet Group is characterised by a significant dependence on the contribution of some key management staff, particularly that of the Chief Executive Officers, other executive Directors, and of the 'front line' management and/or heads of functions acting in the two geographical markets where the Group operates.
The Group's success therefore depends to a large extent on the professional and personal ability of such key figures.
The loss of the services of some of the managers without any suitable replacement, together with the inability to attract and keep new qualified resources, could therefore have negative effects on the Group's prospects, operations and financial results.
The main methods used by the Group to deal with the risk in question comprise professional development and employee retention policies. The latter are part of a compensation system which includes the use of long-term incentive plans as well as continual training activities.

Physical destruction of company assets and products assigned for sale

Premises and products stored in warehouses are subject to risks linked to events such as earthquakes, floods, fire, theft and destruction. These events could cause a significant fall in the value of the damaged assets and an interruption in the Group's operational ability, even for extended periods of time.
In the impossibility of excluding such events occurring and the damage caused by the same, and while bearing in mind the management and mitigation policies for these risk categories in terms of physical safety and fire prevention basically effected by transferring the risks to insurance companies, no guarantees regarding the negative impacts that could affect the Group's the financial position can be given.

Fraud perpetrated by employees

Bearing in mind the high number of transactions effected, the intensive use of IT systems both for operations and for interfacing with customers and suppliers, besides the high unit value of some transactions, significant economic damage could be generated by disloyal employees' conduct.
The Esprinet Group is committed to reducing the likelihood of such fraudulent conduct occurring by means of duty segregation techniques, IT systems access management, the introduction of procedures and checks and the circulation of the code of ethics.
However, it is not possible to give any guarantees about unfavourable impacts on the Group's financial position which could derive from fraudulent activities of the kind described.

Reliability of the administrative-accounting system

Strategic and operational decisions, the planning and reporting system, as well as the process of external communication of data and economic and financial information is based on the reliability of the administrative-accounting information generated and processed within the Group. The correctness of this information also depends on the existence of organisational procedures, rules and organisation, on employees' professional expertise and on the effectiveness and efficiency of IT systems.
The Group is committed to maintaining a high level of control over all the procedures that generate, process and circulate economic and financial information. These procedures and the underlying IT systems are subject to regular audits and checks by various actors of the Internal Audit System and are constantly updated even when solutions to 'Non Conformity' situations have been applied.

Compliance risks

The Esprinet Group is exposed to the risk of violating numerous laws, rules and regulations, including tax laws, which govern its operations.

Legal and tax disputes

As of the drafting date of these financial statements some legal and tax disputes involving some of the companies within the Group are still pending. These could potentially influence the economic and financial results.
Although the sums allocated into the relative risk provisions are deemed sufficient to cover any liabilities arising from pending disputes, it cannot be excluded that in case of a negative outcome worse than expected, some negative effects may reflect on the Group's economic, asset and financial results.

Legal disputes

The type of legal disputes to which the Group is exposed can be divided essentially into two main groups: disputes of a commercial nature (having as the object the nature and/or quantity of goods supplied, the interpretation of contractual clauses and/or the supporting documentation) and other of various kinds.
The risks associated with the first type of dispute are the object of accurate monthly analyses together with the Group's legal advisors and the consequent financial impacts are reflected in the Bad debt provision.
The 'other disputes' refer to various types of claims made against companies within the Group due to supposed infringements of laws or contracts.
The risk analyses are undertaken periodically together with the external professionals appointed for the task and the consequent economic impacts are reflected in the Provision for risks and charges.

Tax disputes

It cannot be excluded that the Group may have to pay liabilities as a result of tax disputes of various kinds. In such case the Group could be called on to pay extraordinary liabilities with consequent economic and financial effects.
The risk analyses are undertaken periodically together with the external professionals appointed for the task and the consequent economic impacts are reflected in the Provision for risks and charges.
For risks and the main developments of disputes in course please see the item 'Non-current provisions and other liabilities'.

Financial risks

Esprinet Group's activities are exposed to a series of financial risks able to influence its financial assets, profits and cash flows through their impact on existing financial operations.

These risks may be summarised as follows:

a) credit risk;
b) liquidity risk;
c) market risk (foreign exchange risk, interest rate risk and other price risks).

The overall responsibility for the creation and supervision of a financial risk management system for the Group is, within the Internal Control System, up to the Board of Directors, to which the various organisational units responsible for actually managing the single types of risk report.
These units, substantially belonging to the Finance and Treasury departments, within the guidelines traced out by the Board in the case of each specific risk, define the instruments and techniques necessary for the relevant cover and/or transfer to third parties (insurance) and assess risks that are neither covered nor insured.

The Group has consolidated practices, operational procedures and risk management policies, which are continually adapted to changing environmental and market conditions, which are able to identify and analyse the risks to which the Group is exposed, to define appropriate controls and constantly monitor the same limits.
Further information regarding risks and financial instruments pursuant to IFRS 7 and 13 can be found under 'Disclosure on risks and financial instruments' in the 'Notes to the consolidated financial statements'.
The degree of the Group's exposure to the various categories of financial risk identified is detailed in next paragraphs.

Credit risk

Credit risk is the risk that the Group might suffer a financial loss through the effects of the non-fulfilment of an obligation to pay by a third party.
Esprinet Group's exposure to credit risk depends on the class of financial instruments, even if it is essentially linked to the option of deferred payments granted to clients in relation to sales of products and services in the markets where the Group operates.
Management strategies dealing with this risk are as follows:

- in the case of cash and cash equivalents and financial derivatives assets, the choice of leading national and international banks;
- in the case of trade receivables, the transfer of the risk, within the limits of the credit negotiated and with the aim of reaching an optimum balance of costs and benefits, to leading insurance and/or factoring companies as well as applying special checking procedures regarding the assignment and periodical review of lines of credits to customer, besides requiring collateral in the case of customers whose ratings are insufficient to guarantee operations.

Group policies include a strict hierarchically organised authorisation mechanism to deal with trade receivables, involving the Credit Committee and on up until the Board of Directors, in cases where the limits of the line of credit granted independently by the Group exceed the corresponding credit facilities granted by the insurance company.
Customer credit risk is monitored by grouping the same according to sales channels, the aging of the credit, the existence or otherwise of any previous financial difficulties or disputes and any ongoing legal or receivership proceedings.
Customers classified as 'high risk' are inserted in a strictly-checked list and any future orders are filled solely against advance payment.
The Group usually accrues estimated impairment of trade receivables quantified on the basis of analyses and write-downs of each single position to a bad-debt provision, after taking into account the benefits provided by the insurance.

In the case of credit risk concentration, the following table shows the incidence of the top 10 clients on consolidated sales with reference to Esprinet S.p.A. and to the Group respectively:

Entity	**% top 10 customers**
Esprinet S.p.A.	30%
Group	34%

The incidence of the top 10 clients on the Esprinet Group's sales is equal to approx. 34% (27% in 2015).

Liquidity risk

Liquidity risk is the risk the Group may encounter difficulty in meeting obligations associated with its financial instruments.
The policy is therefore one of maximum prudence to avoid, at the occurrence of unexpected events, to have to sustain excessive charges or even see one's reputation compromised in the market.
Liquidity risk management hinges on cash-flow planning and also on the maintenance of consistent amounts of unused lines of credit in Italy and in Spain of a mainly self-liquidating nature, aided by a conservative financial policy favouring stable financing sources including that for financing working capital. As at 31 December 2016 the Group had unused credit lines of 374 million euro (337 million euro at 31 December 2015), or approx. 71% (approx. 78% as at 31 December 2015) of the total of the existing credit lines.
The availability of unused credit lines did not cause any specific charges. For further information please refer to the paragraph 8.6 "Lines of credit" under section 8 "Other significant information" in the "Notes to the consolidated financial statement".
The Group's financial needs are significantly covered by a 5-year Senior Loan with a residual duration of 31 months. This Loan is one of the pillars of the liquidity risk management and is subject to the strict observance of some covenants the non-compliance with which gives the issuing pool of banks the right to demand the immediate reimbursement of the same loan.
While the existence of a covenant structure allows the Group to dispose of a stable funding structure not subject to any cancellation and/or unilateral downsizing as per international contractual practice, on one hand, on the other it introduces elements of instability linked to the possible violation of one or more of the threshold financial parameters, failure to observe which exposes the Group to the risk of the advance reimbursement of the borrowed sums.
According to management calculations, as at 31 December 2016, 2 covenants were breached. Accordingly, the outstanding principal was entirely classified under 'current liabilities' under IFRS standards.
As better detailed in the next paragraph named 'Subsequent events', on 28 February 2017 a new loan was granted amounting to 210 million euro and aimed, among other things, at the repayment of the existing one.

Market risk: the currency risk

Currency risk is the risk of fluctuations in the value of a financial instrument as a result of variations in foreign exchange rates. In this regard, it should be noted that only a residual part of the products purchased by the Esprinet Group are expressed in currencies other than euro.
During 2016 these purchases were mainly in US dollars and amounted to 2.5% of the Esprinet Group's total purchases (2.1% in 2015).
The possibility that parity of exchange - and the euro/USA dollar in particular– may be modified in the period running between the time of invoicing in foreign currency and the time of payment, determines the Group's exposure to foreign exchange risk. Given that the Group has no other financial assets and liabilities or loans in foreign currency, its exposure to this type of risk is limited.
Given the potentially modest impact involved, the policy adopted so far has consisted in the restraint of such risk type, without the activation of any specific form of cover, especially through the use of hedging instruments.

Market risk: the interest rate risk

Interest rate risk comprises the risk of fluctuations in the fair value and/or in the future cash flows of a financial instrument as a result of variations in market interest rates.
All of the loans obtained by the Esprinet Group provide for index-linked interest rates based on referential rates, and in particular on the 'Europe Interbank Offered Rate' or Euribor.
The Group, as a result of analysis on the amount and composition of the Group indebtedness, can decide to totally or partially hedge itself against the interest rate risk on the loans.
The aim of the hedging activity regarding interest rate risk is to fix the funding cost of the middle-term floating-rate loans (hedged items).

During 2014 this result was achieved by entering in eight 'IRS - Interest Rate Swap' contracts (hedging instruments), signed with the same banks lenders of the medium/long-term loan hedged, that enabled the Group the floating rate to be received and the fixed rate to be paid on the 100% of its loan's principal.
Within the business combinations occurred in 2016, other medium-long term loans having 'IRS - Interest Rate Swap' contracts were granted. These contracts also contributed to hedge changes on interest rates linked to those loans.
These hedging transactions qualify for cash flow hedge accounting and are so recognised in the consolidated financial statements.

Market risk: the other price risks

Other price risks include the risk of fluctuations in the fair value of marketable securities due to variations in the market price arising both from specific factors related to the individual security or its issuer and from factors able to influence the total securities traded in the market place.
The Esprinet Group does not own any securities negotiable in active markets and consequently is not exposed to this type of risk in any way.

Other significant information

1. Research and development activities

The research and development of Edp and Web activities are related to the definition and planning of new processes and services referred to the IT platform used by the Group, which is at customers and suppliers disposal for information communication as well as for the management of sales and purchase orders. These costs were entirely recorded in the income statement, mainly among the costs of respective departments.

2. Number and value of own shares

At the closing date of the current financial report, Esprinet S.p.A. held 646,889 own shares, representing 1.23% of the share capital.
These consist of 31,400 residual own shares purchased in 2007 (fulfilling the Shareholder Meeting resolution dated 26 April 2007) at a unit price of 11.06 euro gross of commissions, fully held at prior year end date.

The remaining 615,489 ordinary shares were bought pursuant to the Shareholder Meeting's resolution dated 30 April 2015 in the period between 22 July 2015 and 4 September 2015, at an average unit price of 7.79 euro, gross of commissions.

3. Relationship with related parties

The related parties of the Esprinet Group have been defined as per IAS 24.

Group operations with related parties were effected in compliance with current laws and according to mutual economic advantage.
Any products sold to individuals were done so under the same conditions as those usually applied to employees.

During the year relationships with related parties consisted essentially in the sales of products and services at market conditions, including the leasing of real estate, between Group's entities and associates or companies where the key management personnel of Esprinet S.p.A. - shareholders or directors or key manager - play important roles.
Further details of these operations, the total value of which is not material compared with the total volume of the Group's activities, can be found under 'Relationships with related parties' in the 'Notes to the consolidated financial statements'.

Relationships with key managers result from the recognition of the payments for services rendered by the same, the quantification of which can be found under 'Emoluments to board members and key managers' in the 'Notes to the consolidated financial statements'.
In the case of Consob Regulation No. 17221 of .17221/12/03 and successive amendments and supplements, please note that Esprinet S.p.A. approved and implemented the management procedure regarding operations with related parties, further details of which may be found in the 'Esprinet S.p.A Corporate Governance Report'.
This procedure is similarly available at www.esprinet.com, under 'Investor Relations'.

4. Business combination

EDSlan S.p.A. business unit acquisition.

Consistently with strategic process aimed at focusing on core business and penetrating high-profitability segments, on 8 April 2016, EDSlan S.r.l., established by Esprinet S.p.A. on 24 March 2016, completed the acquisition of the distribution business referring to the networking, cabling, Voip and UCC-Unified Communication & Collaboration sectors from the pre-existing company EDSlan S.p.A.

The asset deal, effected through the acquisition method, determined a 2.8 million euro gain, referred to the acquisition spot price (7.8 million euro) net of the assets and liabilities of the acquired company at 'fair value', as reported in the table below:

(euro/000)	Fair value EDSlan 08/04/2016
Fixed, intangible and financial assets	363
Deferred income tax assets	14
Receivables and other non-current assets	16
Inventory	6,668
Trade receivables	29,006
Other current assets	130
Cash and cash equivalents	3
Long-term financial liabilities	(1,229)
Retirement benefit obligations	(632)
Other non current liabilities	(252)
Trade payables	(13,286)
Other current liabilities	(2,124)
Short-term financial liabilities	(8,033)
Net assets fair value	**10,644**
Provisional goodwill [(1)]	(2,838)
Cash paid	**7,806**

(1) The gain from the business combination transaction may be revised within 12 months from the transaction date, as allowed by the IFRS3 accounting standard.

The acquisition contract provides for the usual seller guarantees relating to any future liabilities arising from events preceding, but not known at, the transaction date.

Since no other potential losses or significant or measurable adjustments were detected in the assets and liabilities acquired, except for the abovementioned ones, the lower spot compensation compared to the net fair value of those assets and liabilities was entirely entered as an income by virtue of the cost-effectiveness of the transaction.

Fair value of receivables, which are all short-term in nature, represents the expected recoverable value from the customers and includes a 1.2 million euro bad debt provision.

Transaction costs, equal to 0.1 million euro in 2016, were entered in the income statement under overheads & administrative costs and are included in the cash flow provided by operating activities in the cash flow statement, to which reference is made.

The net cash flow from the asset deal was equal to 17.1 million euro, as shown in the following table:

(euro/000)	Fair value EDSlan 08/04/2016
Cash and cash equivalents	3
Short-term financial liabilities	(8,033)
Long-term financial liabilities	(1,229)
Net financial debts acquired (included in cash flows from investing activities)	**(9,259)**
Cash paid	(7,806)
Net cash outflow on acquisition	**(17,065)**

Finally, from the date of the asset deal from the pre-existing company EDSlan S.p.A., corresponding to the actual start of business by EDSlan S.r.l., the latter contributed 53.2 million euro to revenues and 3.2 million euro to the Group's net income. If the acquisition had taken place at the beginning of the year, EDSlan S.r.l. would have contributed approx. 74.4 million euro to revenues and approx. 3.4 million euro to net income.

Acquisition of Vinzeo Technologies S.A.U. and Tape S.L.U..

On 1 July 2016 Esprinet S.p.A., through its fully owned subsidiary Esprinet Iberica, completed the purchase of the entire capital of Vinzeo Technologies S.A.U., the fourth[15] largest ICT wholesaler in Spain.
As at acquisition date, Vinzeo Technologies S.A.U. owned the 100% shares in the subsidiary TAPE S.L.U., a non-active company only holding cash and cash equivalents contributed as share capital.

The company acquisition, effected through the acquisition method, resulted in a 2.6 million euro goodwill, as result of the acquisition spot price (74.1 million euro) and the subsequent adjustment (1.3 million euro) paid for the assets and liabilities of the acquired company at 'fair value', as reported in the table below:

[15] Source: management, Channel Partner 2016 (www.channelpartner.es)

(euro/000)	Fair value Vinzeo 01/07/2016
Fixed, intangible and financial assets	407
Pre-acquisition goodwill	2,487
Deferred income tax assets	6,898
Derivative financial receivables (non-current)	41
Receivables and other non-current assets	120
Inventory	54,085
Trade receivables	66,042
Financial receivables	25,038
Other current assets	949
Cash and cash equivalents	18,854
Non-current financial liabilities	(25,317)
Derivative financial liabilities (non-current)	(174)
Deferred income tax liabilities	(1,785)
Trade payables	(55,870)
Short-term financial liabilities	(16,071)
Derivative financial liabilities (current)	(55)
Other current liabilities	(2,794)
Net assets fair value	**72,855**
Provisional goodwill [1]	2,611
Deferred payment	(1,321)
Cash paid	**74,145**

[2] The gain from the business combination transaction may be revised within 12 months from the transaction date, as allowed by the IFRS3 accounting standard.

The acquisition contract provides for the usual seller guarantees relating to any future liabilities arising from events preceding, but not known at, the transaction date.

Since no significant or measurable gains or impairment adjustments from the assets and liabilities acquired were detected, the surplus consideration against the net equity acquired was entirely allocated to goodwill as the latter refers to the expected capacity of the acquired business unit to generate both net income and cash flows as well as to the potential synergies arising from the deal.
Fair value of receivables, which are all short-term in nature, represents the expected recoverable value from the customers and includes a 0.5 million euro bad debt provision.
Transaction costs, equal to 1.7 million euro in 2016, were entered in the income statement under overheads & administrative costs and are included in the cash flow provided by operating activities in the cash flow statement, to which reference is made.

The net cash flow from the acquisition was equal to 73.2 million euro, as shown in the following table:

(euro/000)	Vinzeo 01/07/2016
Cash and cash equivalents	18,854
Financial receivables	25,038
Short-term financial liabilities	(41,388)
Financial assets/liabilities for derivatives	(188)
Net financial debts acquired (included in cash flows from investing activities)	**2,316**
Cash paid	(74,145)
Deferred payment	(1,321)
Net cash outflow on acquisition	**(73,150)**

From the date of the acquisition, Vinzeo Technologies S.A.U. and TAPE S.L.U. contributed for 328.9 million euro to revenues and for 3.4 million euro to the net income of the Group. If the acquisition had taken place at the beginning of the year, the two companies would have contributed approx. for 553.4 million euro to revenues and approx. for 8.8 million euro to net income.

Acquisition of the business unit 'VAD-Value Added Distributor' from Itway Group

Consistently with strategic process aimed at focusing on core business and penetrating high-profitability segments, on 30 November 2016, Esprinet S.p.A. through the newly established companies (Mosaico S.r.l. and V-Valley Iberian S.L.U.) completed the acquisition of the IT distribution business in Italy and in the Iberian Peninsula (Spain and Portugal) referring to software products for Cyber Security, to server application software and to networking from the Itway group.

The business units acquisition, effected through the acquisition method, resulted in a 10.8 million euro goodwill, as a result of the acquisition spot price (4.0 million euro) and the subsequent adjustment (4.7 million euro) paid for the assets and liabilities of the acquired company at 'fair value', as reported in the table below:

(euro/000)	Fair value Mosaico	Fair value V-Valley Iberian
	30/11/2016	30/11/2016
Fixed, intangible and financial assets	-	35
Deferred income tax assets	34	-
Receivables and other non-current assets	-	6
Inventory	330	108
Trade receivables	2,322	1,355
Other current assets	12	-
Retirement benefit obligations	(423)	-
Other non current liabilities	(102)	-
Trade payables	(4,122)	(1,387)
Other current liabilities	(214)	(68)
Net assets fair value	**(2,163)**	**49**
Provisional goodwill [1]	7,245	3,600
Deferred payment	(3,957)	(768)
Cash paid	**1,125**	**2,881**

[3] The gain from the business combination transaction may be revised within 12 months from the transaction date, as allowed by the IFRS3 accounting standard.

The differed consideration is equal to the adjustment between the seller assets and liabilities as at closing date compared to their temporarily estimated value at the same date, as well as to a variable

amount of up to 5.8 million euro, discounted at 30 November 2016, to be paid on the expiry of the 12th month after the closing where some agreed financial targets are met.
The acquisition contract provides for the usual seller guarantees relating to any future liabilities arising from events preceding, but not known at, the transaction date.

Since no significant or measurable gains or impairment adjustments from the assets and liabilities acquired were detected, the surplus consideration against the net equity acquired was entirely allocated to goodwill as the latter refers to the expected capacity of the acquired business units to generate both net income and cash flows as well as to the potential synergies arising from the deal.

Fair value of receivables, which are all short-term in nature, represents the expected recoverable value from the customers and does not include any bad debt provision, since receivables are due after the transaction date and are toward counterparties whose payment capability has not been called into question.
Transaction costs, equal to 0.3 million euro in 2016, were entered in the income statement under overheads & administrative costs and are included in the cash flow provided by operating activities in the cash flow statement, to which reference is made.

The net cash flow from the asset deal acquisition was equal to 8.7 million euro, as shown in the following table:

(euro/000)	**Mosaico**	**V-Valley Iberian**
	30/11/2016	**30/11/2016**
Net financial debts acquired (included in cash flows from investing activities)	-	-
Cash paid	(1,125)	(2,881)
Cash deferred	(3,957)	(768)
Net cash outflow on acquisition	**(5,082)**	**(3,649)**

From the date of the asset deal acquisition from the Itway group, corresponding to the actual start of business by Mosaico S.r.l. and V-Valley Iberian S.L.U., these contributed for 11.7 million euro to revenues (11.0 million euro and 0.7 million euro respectively) and for 0.4 million euro (entirely from Mosaico S.r.l.) to the net income of the Group.

No enough detailed information relating to the period preceding the acquisition are available. Nevertheless, based on the available information relating to the revenue trend in the first half 2016, as well as on information from the financial due diligence, if the abovementioned business units had been acquired at the beginning of the fiscal year they would have generated revenues equal to approx. 55.0 million euro and a net profit equal to approx. 1.0 million euro.

5. Relationships with subsidiaries subject to management and coordination activities

Esprinet S.p.A. manages and co-ordinates activities of the subsidiaries resident in Italy.
This activity consists in setting general and operational strategic policies for the Group, drafting general policies regarding human and financial resources management, defining and adapting:
- the corporate governance and internal control model;
- the Group Organisational Model pursuant to Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Legislative Decree 196/.196;
- the Code of Ethics;
- administrative-accounting procedures regarding financial reports.

Group co-ordination especially involves the centralised management of administrative, corporate and cash services which, in addition to enabling the subsidiary companies to achieve economies of scale, also enable them to focus their internal resources on managing the core business.
Starting from fiscal year 2010 Esprinet S.p.A. and its subsidiary V-Valley S.r.l. have opted for the tax regime as established in the 'National consolidated tax regime', as per Article 117 and followings of Presidential Decree 917/86 (TUIR - Italian Income Tax Code), which enables Corporate Income Tax (IRES) to be determined on the tax base resulting from the algebraic sum of the positive and negative tax bases of the single companies. This option was renewed in 2016 for the 3-years period 2016-2018. Starting from fiscal year 2015 Esprinet S.p.A. and its subsidiary Celly S.p.A. have opted for the National consolidated tax regime, with effects for the 2015-2017 period.

During 2016, the subsidiary EDSlan S.r.l. also joined the 'National consolidated tax regime' for the 2016-2018 period.

6. Shares of the parent company Esprinet S.p.A held by board members, statutory auditors and key managers

Name	Office	No. of shares at 31/12/2015 or at appointment date	No. of shares sold during 2015	No. of shares purchased	No. of shares sold	Decrease for office termination	No. of shares at 31/12/2016
Francesco Monti [(1)]	Chairman	8,232,070	-	-	-	-	8,232,070
Maurizio Rota [(2)]	Deputy Chairman and CEO	2,625,458	-	-	-	-	2,625,458
Alessandro Cattani	Ceo	561,607	-	-	-	-	561,607
Valerio Casari	Director	54,617	-	-	(54,617)	-	-
Marco Monti [(3)]	Director	-	-	-	-	-	-
Matteo Stefanelli	Director	840,307	(5,800)	-	-	-	834,507
Tommaso Stefanelli	Director	885,000	-	-	-	-	885,000
Mario Massari	Director	-	-	-	-	-	-
Chiara Mauri	Director	-	-	-	-	-	-
Cristina Galbusera	Director	-	-	-	-	-	-
Emanuela Prandelli	Director	-	-	-	-	-	-
Andrea Cavaliere	Director	-	-	-	-	-	-
Total Board of Directors		**13,199,059**	**(5,800)**	**-**	**(54,617)**	**-**	**13,138,642**
Giorgio Razzoli	Chairman	-	-	-	-	-	-
Patrizia Paleologo Oriundi	Standing Statutory Auditor	-	-	-	-	-	-
Bettina Solimando	Standing Statutory Auditor	-	-	-	-	-	-
Total Board of Statutory Auditor		-	-	-	-	-	-

[(1)] Holder of full ownership of 2,058,019 shares and of right of usufruct on 6,174,051 shares
[(2)] Share hold by spouse
[(3)] Holder of bare ownership of 2,058,017 shares

In compliance with CONSOB Resolution 11971-dated 14 May 1999, the previous table provides details of share dealing effected during the year by Esprinet S.p.A. Directors, Statutory Auditors and key managers, reminding that the company organisation structure does not include a General Manager.

Further details can be found in the 'Notes to the consolidated financial statements' under 'Emoluments paid to board members, statutory auditors and key managers'.

7. Atypical and/or unusual operations

No atypical and/or unusual events or operations according to the definition as per Consob communication No. DEM 6064293 of 28 July 2006 occurred during the period.

8. Additional information required by Bank of Italy and Consob

Pursuant to the document 2 of 6 February 2009 and the successive specifications of 3 March 2010, requiring the drafters of financial reports to supply adequate disclosure on some themes, the relevant sections in which the requirements applicable to the Group are met are shown below:

1. disclosure about entity's going concern, 'Notes to the consolidated financial statements' - paragraph 'Accounting principles and valuation criteria';
2. disclosure concerning financial risks, 'Directors' Report on Operations' - paragraph 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' - and 'Notes to the consolidated financial statements' - section 'Disclosure on risks and financial instruments';
3. Disclosures regarding impairment tests of assets (so called impairment test), 'Notes to the consolidated financial statements' - paragraph 'Notes to the balance sheet items' item 'Goodwill';
4. disclosure about uncertainties when using estimates, 'Notes to the consolidated financial statements' - paragraph 'Main accounting definitions and estimates';
5. disclosure on financial liabilities type clauses, Notes to the consolidated financial statements' - paragraph 'Loans and loan covenants';
6. disclosure concerning 'fair value hierarchy', 'Notes to the consolidated financial statements' - paragraph 'Financial instruments pursuant to IAS 39: classes of risk and fair value'.

The information required by Consob communication No. DEM/11012984 of 24 February 2011 'Request for information pursuant to Art. 114, paragraph 5, of Legislative Decree No. 58 of 24 February 1998, regarding compensation for advance termination of employment' can be found in the 'Corporate Governance Report'.

Disclosure required by Consob communication No. 3907 of 19 January 2015 can be found in the relevant sections of the 'Notes to the consolidated financial statements'.

9. Share incentive plans

Within the scope of share incentive policies aimed at strengthening the loyalty of executives deemed essential for the purpose of achieving the Group operating targets, on 30 April 2015 Esprinet Shareholders' Meeting approved a new compensation Plan ("Long Term Incentive Plan") for the benefit of the members of the Board of Directors and executives, as proposed by the Remuneration Committee. Such plan will apply for the 3-year period 2015-17 with the purpose of granting a maximum of 1,150,000 rights of free stock grants of Esprinet. S.p.A. ordinary shares.
646,889 of the abovementioned free subscription rights were granted on 30 June 2015 and are conditional upon the achievement of some Group revenue targets in the 2015-17 period and the beneficiary being still employed by the Group at the date of the presentation of the Group's 2017 consolidated financial statements to the Esprinet Shareholder Meeting.

Further information can be found in the 'Notes to the consolidated financial statement' – paragraph 'Group Personnel costs'.

10. Net equity and result reconciliation between Group and parent company

In compliance with Consob communication no. DEM/6064293 of 28 July 2006 the reconciliation between Group net equity and result of the period together with the relative data of the parent company, Esprinet S.p.A., is illustrated in the table below:

(euro/000)	Net income/(loss)		Equity	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Esprinet S.p.A. separate financial statements	**12,738**	**22,943**	**301,244**	**294,968**
Consolidation adjustments:				
Net equity and result for the year of consolidated companies, net of minority interests	13,218	7,718	107,819	87,924
Esprinet S.p.A. 's investments in consolidated subsidiaries carryng amount	-		(92,420)	(85,688)
Goodwill from Esprinet Iberica S.L.U. business combination	-		1,040	1,040
Goodwill from Celly S.p.A. business combination	-		4,153	4,153
Adjustment to equity value of associated companies	1	10	1	-
Deletion of non-realised (profit)/loss on inventory, net of fiscal effect	(53)	(102)	(305)	(252)
Option on Celly shares	965	(528)	(4,442)	(5,407)
Other movements	-	-	867	867
Consolidated net equity	**26,870**	**30,041**	**317,957**	**297,605**

11. Other information

The System Security Planning Paper (SSPP) - as initially foreseen by Legislative Decree 196/2003, integrated by the Legislative Decree n.5/2012 (decree on simplification) - continues to be drawn up and applied by the companies of the Group localized in the Italian Country.

On 28 June 2004, the Esprinet S.p.A. Board of Directors appointed the company's Chief Executive Officer, Alessandro Cattani, as the executive responsible for protecting personal data. Mr Cattani was, however, vested with the particular ability to delegate all his powers and responsibilities to those company executives and employees operating as data-processing managers, in accordance with their respective areas of responsibility.

Proposal of approval of the Financial Statement and allocation of the 2016 profits

To our Shareholders,
at the end of our illustration of the Esprinet S.p.A. financial statements (separate financial statements) and the Group consolidated financial statements as at 31 December 2016, together with the Directors' report on operations, we hereby present you with our proposal for the allocation of the positive result posted for the year by Esprinet S.p.A..

In seeking your approval of our operations, by assenting to our draft Financial Statements, as well as to our Report on operations and the Notes to the financial statements, we propose to allocate the Company's net profit of 12,738,420.85 euro as follows:

- a dividend of 0.135 euro gross to each one of the Company's ordinary shares in circulation, excluding therefore any of its own shares held by the Company in its portfolio at the coupon detachment date;
- 36,476.00 to reserve on exchange gains valuation;
- any remaining amount to the Extraordinary Reserve.

Note that the company needs not set aside amounts to the legal reserve having reached 20% of the Share Capital.
For the purpose of taxing beneficiaries, note that the company has residual retained earnings generated up to the financial year ended on 31 December 2007, thus pursuant to the legal presumption set forth by Ministry Decree of 2 April 2008 the whole amount of dividends distributed is considered to consist of profits made by the company up to financial year as at 31 December 2007.

Vimercate, 21 March 2017

Of behalf of the Board of Directors
The Chairman
Francesco Monti

2016 Consolidated Financial Statements
Esprinet Group

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Consolidated statement of financial position

The table below shows the consolidated statement of financial position drawn up according to IFRS principles, together with the information required pursuant to Consob Resolution No. 15519 of 27 July 2006:

(euro/000)	Notes	31/12/2016	related parties*	31/12/2015	related parties*
ASSETS					
Non-current assets					
Property, plant and equipment	1	15,284		12,130	
Goodwill	2	91,189		75,246	
Intangible assets	3	1,469		664	
Investments in associates	5	39		47	
Deferred income tax assets	6	11,931		8,347	
Derivative financial assets	8	38		-	
Receivables and other non-current assets	9	6,896	1,286	7,345	1,285
		126,846	**1,286**	**103,779**	**1,285**
Current assets					
Inventory	10	328,886		305,455	
Trade receivables	11	388,672	9	251,493	13
Income tax assets	12	6,175		3,490	
Other assets	13	32,091	-	17,509	-
Cash and cash equivalents	17	285,933		280,089	
		1,041,757	**9**	**858,036**	**13**
Disposal groups assets	48	-		-	
Total assets		**1,168,603**	**1,295**	**961,815**	**1,298**
EQUITY					
Share capital	19	7,861		7,861	
Reserves	20	282,430		258,626	
Group net income	21	26,667		30,321	
Group net equity		**316,958**		**296,808**	
Non-controlling interests		999		797	
Total equity		**317,957**		**297,605**	
LIABILITIES					
Non-current liabilities					
Borrowings	22	28,833		65,138	
Derivative financial liabilities	23	66		224	
Deferred income tax liabilities	24	6,100		4,757	
Retirement benefit obligations	25	5,185		4,044	
Debts for investments in subsidiaries	49	3,942		5,222	
Provisions and other liabilities	26	3,020		2,495	
		47,146		**81,880**	
Current liabilities					
Trade payables	27	615,512	12	522,436	-
Short-term financial liabilities	28	151,885		29,314	
Income tax liabilities	29	740		751	
Derivative financial liabilities	30	483		195	
Debts for investments in subsidiaries	51	4,718		-	
Provisions and other liabilities	32	30,162	-	29,634	-
		803,500	**12**	**582,330**	**-**
Disposal groups liabilities	34	-		-	
Total liabilities		**850,646**	**12**	**664,210**	**-**
Total equity and liabilities		**1,168,603**	**12**	**961,815**	**-**

* For further details regarding related parties please see the section 'Relationships with related parties' in the 'Notes to the consolidated financial statements'.

Consolidated separate income statement

The Group's separate income statement is set out below. It is drawn up according to IFRS requirements and expenses are classified by 'function'. It also includes the information required pursuant to Consob Resolution No. 15519 of 27 July 2006:

(euro/000)	Notes	2016	non - recurring	related parties*	2015	non - recurring	related parties*
Sales	33	**3,042,330**	-	15	**2,694,054**	-	25
Cost of sales		(2,878,435)	-	-	(2,537,190)	-	-
Gross profit	35	**163,895**	-		**156,864**	-	
Other income	50	2,838	2,838		-	-	
Sales and marketing costs	37	(49,871)	-	-	(43,974)	-	-
Overheads and administrative costs	38	(78,296)	(4,754)	(3,782)	(66,391)	(657)	(3,611)
Operating income (EBIT)		**38,566**	**(1,916)**		**46,499**	**(657)**	
Finance costs - net	42	(2,847)	-	2	(4,243)	-	7
Other investments expenses/(incomes)	43	1	-		(9)	-	
Profit before income tax		**35,720**	**(1,916)**		**42,247**	**(657)**	
Income tax expenses	45	(8,850)	1,411	-	(12,206)	292	-
Net income		**26,870**	**(505)**		**30,041**	**(365)**	
- of which attributable to non-controlling interests		203			(280)	(27)	
- of which attributable to Group		26,667	(505)		30,321	(338)	
Earnings per share - basic (euro)	46	0.52			0.59		
Earnings per share - diluted (euro)	46	0.51			0.58		

* Emoluments to key managers excluded.

Consolidated statement of comprehensive income

(euro/000)	2016	2015
Net income	**26,870**	**30,041**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	(79)	(157)
- Taxes on changes in 'cash flow hedge' equity reserve	17	43
- Changes in translation adjustment reserve	(1)	(12)
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	(139)	276
- Taxes on changes in 'TFR' equity reserve	30	(76)
Other comprehensive income	**(172)**	**74**
Total comprehensive income	**26,698**	**30,115**
- of which attributable to Group	26,499	30,372
- of which attributable to non-controlling interests	199	(257)

Consolidated statement of changes in net equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity	Minority interest	Group net equity
Balance at 31 December 2014	**7,861**	**253,268**	**(13,070)**	**26,813**	**274,872**	**2,193**	**272,679**
Total comprehensive income/(loss)	**-**	**74**	**-**	**30,041**	**30,115**	**(257)**	**30,372**
Change in equity by Celly group acquisition	-	(1,990)	-	-	(1,990)	(1,086)	(904)
Allocation of last year net income/(loss)	-	20,410	-	(20,410)	-	-	-
Dividend payment	-	-	-	(6,403)	(6,403)	-	(6,403)
Transactions with owners	-	18,420	-	(26,813)	(8,393)	(1,086)	(7,307)
Increase/(decrease) in 'stock grant' plan reserve	-	(1,662)	-	-	(1,662)	-	(1,662)
Assignment of Esprinet own shares	-	(9,985)	7,925	-	(2,060)	-	(2,060)
Increase/(decrease) in IAS 7 FTA reserve	-	(87)	-	-	(87)	(17)	(70)
Other variations	-	(59)	-	-	(59)	(36)	(23)
Variation in reserve on 40% Celly option	-	4,879	-	-	4,879	-	4,879
Balance at 31 December 2015	**7,861**	**264,848**	**(5,145)**	**30,041**	**297,605**	**797**	**296,808**
Total comprehensive income/(loss)	**-**	**(172)**	**-**	**26,870**	**26,697**	**199**	**26,498**
Allocation of last year net income/(loss)	-	22,277	-	(22,277)	-	-	-
Dividend payment	-	-	-	(7,764)	(7,764)	-	(7,764)
Transactions with owners	**-**	**22,277**	**-**	**(30,041)**	**(7,764)**	**-**	**(7,764)**
Change in 'stock grant' plan reserve	-	1,404	-	-	1,404	-	1,404
Other variations	-	15	-	-	15	3	12
Balance at 31 December 2016	**7,861**	**288,372**	**(5,145)**	**26,870**	**317,957**	**999**	**316,958**

Consolidated statement of cash flows[16]

(euro/000)	2016	2015
Cash flow provided by (used in) operating activities (D=A+B+C)	**34,413**	**74,058**
Cash flow generated from operations (A)	**40,986**	**50,357**
Operating income (EBIT)	38,566	46,499
Income from business combinations	(2,838)	-
Depreciation, amortisation and other fixed assets write-downs	3,954	3,337
Net changes in provisions for risks and charges	171	(239)
Net changes in retirement benefit obligations	(271)	(316)
Stock option/grant costs	1,404	1,076
Cash flow provided by (used in) changes in working capital (B)	**3,447**	**39,034**
Inventory	37,760	(51,746)
Trade receivables	(38,454)	24,490
Other current assets	(12,321)	(7,385)
Trade payables	18,354	70,447
Other current liabilities	(1,892)	3,228
Other cash flow provided by (used in) operating activities (C)	**(10,020)**	**(15,333)**
Interests paid, net	(644)	(1,038)
Foreign exchange (losses)/gains	(760)	(1,469)
Net results from associated companies	9	(11)
Income taxes paid	(8,625)	(12,815)
Cash flow provided by (used in) investing activities (E)	**(105,981)**	**(14,695)**
Net investments in property, plant and equipment	(6,010)	(4,703)
Net investments in intangible assets	(1,098)	(136)
Changes in other non current assets and liabilities	73	(3,069)
Celly business combination	-	(1,990)
EDSlan business combination	(17,065)	-
Itway business combination	(8,731)	-
Vinzeo business combination	(73,150)	-
Own shares acquisition	-	(4,797)
Cash flow provided by (used in) financing activities (F)	**77,412**	**(4,448)**
Medium/long term borrowing	-	15,000
Repayment/renegotiation of medium/long-term borrowings	(23,078)	(1,707)
Net change in financial liabilities	108,043	(9,795)
Net change in financial assets and derivative instruments	(7,328)	(1,397)
Deferred price Celly acquisition	(1,280)	(4,536)
Deferred price Vinzeo acquisition	4,718	-
Deferred price Itway acquisition	3,957	-
Option on 40% Celly sharesd	-	4,879
Dividend payments	(7,764)	(6,403)
Increase/(decrease) in 'cash flow edge' equity reserve	(61)	(114)
Changes in third parties net equity	205	(456)
Other movements	-	81
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**5,844**	**54,915**
Cash and cash equivalents at year-beginning	**280,089**	**225,174**
Net increase/(decrease) in cash and cash equivalents	**5,844**	**54,915**
Cash and cash equivalents at year-end	**285,933**	**280,089**

[16] No effects of relationships with related parties have been considered significant.

Notes to the consolidated financial statements

1. General information

Esprinet S.p.A. (hereafter 'Esprinet' or the 'parent company') and its subsidiaries (the 'Esprinet Group' or the 'Group') operate on the Italian, Spanish and Portuguese markets in the "business-to-business" (B2B) distribution of Information Technology (IT) and consumer electronics.

In Italy and in Iberian Peninsula, the Group operates solely in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Vimercate (Monza e Brianza).
Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange since July 27, 2001.

2. Accounting principles and valuation criteria

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Accounting principles

The consolidated financial statements of the Esprinet Group as at 31 December have been drawn up in compliance with IFRS requirements issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as measures issued in accordance with art. art. 9 of D. Lgs. n. 38/2005.
The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been drawn up using the historical cost, except for the assessment of some financial instruments, where the fair value criteria are applied, and also the going concern presumption.

2.2 Presentation of financial statements

The presentation formats of the financial position and income and cash-flow statements have the following characteristics:

- statement of financial position: current and non-current assets and current and non-current liabilities are reported separately;
- statement of comprehensive income: income statement and statement of comprehensive income are reported in two different statements;
- separate income statement: costs have been analysed by function;
- statement of cash flows: drawn up as per the indirect method set out in IAS 7.

The choices made in terms of the presentation of the statement of accounts derive from the conviction that these contribute to an improvement in the quality of the information provided.
Figures in this document are expressed in thousands of euro, unless otherwise indicated. Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.3 Consolidation criteria and methods

The consolidated financial statement derives from the interim accounts of the parent company Esprinet S.p.A. and of its directly and/or indirectly subsidiaries or associated companies, approved by their respective Boards of Directors.[17]
Wherever necessary, the interim accounts of subsidiaries have been suitably adjusted to ensure consistency with the accounting principles used by the parent company.

The table below lists companies included in the consolidation perimeter as at 31 December 2016, all consolidated on a line-by-line basis except for the company Ascendeo SAS accounted for using the equity method.

Company name	Head Office	Share capital (euro) *	Group interest	Shareholder	Interest held
Holding company:					
Esprinet S.p.A.	Vimercate (MB)	7,860,651			
Subsidiaries directly controlled:					
Celly S.p.A.	Vimercate (MB)	1,250,000	80.00%	Esprinet S.p.A.	80.00%
EDSlan S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
Esprinet Iberica S.L.U.	Saragozza (Spagna)	55,203,010	100.00%	Esprinet S.p.A.	100.00%
Mosaico S.r.l.	Vimercate (MB)	100,000	100.00%	Esprinet S.p.A.	100.00%
V-Valley S.r.l.	Vimercate (MB)	20,000	100.00%	Esprinet S.p.A.	100.00%
Subsidiaries indirectly controlled:					
Celly Nordic OY	Helsinki (Finlandia)	2,500	80.00%	Celly S.p.A.	100.00%
Celly Swiss SAGL	Lugano (Svizzera)	16,296	80.00%	Celly S.p.A.	100.00%
Celly Pacific LTD	Honk Kong (Cina)	935	80.00%	Celly Swiss SAGL	100.00%
Esprinet Portugal Lda	Porto (Portogallo)	1,000,000	100.00%	Esprinet Iberica S.L.U.	95.00%
				Esprinet S.p.A.	5.00%
Tape S.L.U.	Madrid (Spagna)	3,000	100.00%	Vinzeo Technologies S.A.U.	100.00%
Vinzeo Technologies S.A.U.	Madrid (Spagna)	30,704,180	100.00%	Esprinet Iberica S.L.U.	100.00%
V-Valley Iberian S.L.U.	Saragozza (Spagna)	50,000	100.00%	Esprinet Iberica S.L.U.	100.00%
Associated company					
Ascendeo SAS	La Courneuve (Francia)	37,000	20.00%	Celly S.p.A.	25.00%

* Share capital values, with reference to the companies publishing financial statements in a currency other than euro, are displayed at historical value.

The most significant consolidation criteria adopted when preparing the Group's consolidated financial statements are presented below.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to decide the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

[17] Limited to companies under direct control.

Any effects of transactions between Group companies on the Group's assets and profits, unrealized gains and losses and dividends included, are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the transferred asset.
Changes in a parent's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

Business combinations

The acquisition method is used to account for the acquisition of subsidiaries by the Group.
The cost of an acquisition is the aggregate of the acquisition-date fair value of the consideration transferred and of the amount of any non-controlling interest (or 'NCI') in the acquire. A non-controlling interest can be measured at fair value or at the NCI's proportionate share of net assets of the acquire (option available on a transaction by transaction basis). Any costs directly attributable to the combination are expensed and classified in administrative costs.
In the case of business combination achieved in stages, on the date that control is obtained the fair values of the acquired entity's assets and liabilities, including goodwill, are measured; any resulting adjustments to previously recognized assets and liabilities are recognized in profit or loss.
Contingent consideration is measured at the acquisition date fair value.
Goodwill is measured as the difference between the cost of an acquisition and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.
If the difference above is negative, the resulting gain is recognized as a bargain purchase in profit or loss.

The 'purchase method' was used to account acquisition of subsidiaries by the Group until 2009 included. Costs directly attributable to the acquisition were included in the cost of the acquisition. Minority interests consisted of the share of the net assets of the acquired entity. Business combinations achieved in stages were treated separately at the date of each transaction, with no impact on the previous goodwill may be accounted

Non-controlling interests

The Group applies a policy of treating transactions with non-controlling shareholders as transactions with parties outside the Group itself.
The share of equity attributable to outside shareholders of subsidiary companies included in the consolidated accounts is carried separately under the equity item 'Non-controlling interests', precisely created for this purpose. The share of net income attributable to non-controlling shareholders is reported separately in the consolidated separate income statement under the item 'Non-controlling interests'.
Losses are attributed to non-controlling shareholders even if they make negative the non-controlling interests balance.

Associated companies

Group investments in associates are assessed using the net equity method.
Associates are companies over which the Group has significant influence, even though they are not subsidiaries or part of a joint-venture.
Financial statements of associates are used by the Group for the application of the net equity method of accounting.
The closing of accounts of associates and of the Group take place at the same date and by using the same accounting principles.
Group investments in associates are recorded in the statement of financial position at the cost increased or decreased by the post-acquisition changes in the Group's share of its associates' net profit and eventually decreased by any possible loss of value. The possible Goodwill relating to an associate is included in the carrying amount of the investment and its amortization or impairment are not permitted.

The separate income statement reflects the Group's share of its associates' net profit/loss except the quotas of profits and losses resulting from transactions between the Group and the associate which are eliminated.
If an associate adjusts a movement directly taking it to equity, the Group also adjusts its share subsequently and reports it, where applicable, in the statement of changes in equity.
After application of the equity method the Group determines whether it is necessary to recognize any additional impairment loss with respect to its investment in the associate. At each reporting date the Group determines whether objective reasons exist to support any impairment loss with respect to its investment in the associate. In the case the impairment loss occurred, the Group measures it by comparing the recoverable amount and the carrying amount of the investment, and recognize this loss in the separate income statement under 'share of profits/losses of associates'.

Intercompany dividends

Dividends distributed among Group companies are eliminated from the consolidated income statement.

2.4 Changes to the Group's consolidation area

As compared to 31 December 2015 the companies EDSlan S.r.l, Mosaico S.r.l., Vinzeo Technologies S.A.U., Tape S.L.U. and V-Valley Iberian S.L.U.. entered into the consolidation area.
It should be highlighted that on 28 April 2016, Esprinet S.p.A. sold its shares (equal to 9.52% of the total share capital) in the associated company Assocloud S.r.l..

For further information please refer to the paragraph 'Significant events occurred in the period'.

2.5 Changes in accounting estimates and reclassifications

Changes in critical accounting estimates

No changes in the critical accounting estimates regarding previous periods, pursuant to IAS 8, have been made in this annual financial statement.

2.6 Summary of significant valuation criteria and accounting policies

Non-current assets

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income.
They include goodwill, when it is acquired for a consideration.

Intangible assets with a defined useful life are systematically amortized over their useful life, taken as the estimate of the period that the assets shall be used by the Group. In particular the item 'Industrial and other patent rights' is amortized within three years.
Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but are subject to an annual impairment test. The Impairment test is described below in the section entitled 'Impairment of assets'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised for the asset in prior years. This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.
Revaluation of goodwill is not permitted, even in application of specific laws, as it is not reinstated when the reasons for a write-down no longer apply.

Tangible assets

Property, plant and equipment are shown in the financial statements at purchase or production cost, or at their conveyance value, including any directly attributable incidental costs and costs deemed necessary to make them operable.

Ordinary maintenance and repair costs are charged to the income statement for the year in which they are incurred. Extraordinary maintenance costs leading to a significant and tangible increase in the productivity or useful life of an asset are added to the value of the asset concerned and amortised over a period representing its remaining useful life.
Costs for leasehold improvements are entered under their relevant tangible assets category.
Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life.

Fixed assets are systematically depreciated every year, in line with depreciation schedules drawn up to reflect the remaining usefulness of the assets concerned. The value reported in the statement of financial position is shown net of accumulated depreciation according to the remaining possible use of the asset.

The depreciation rates applied for each asset category are detailed as follows:

	Economic - technical rate
Security systems	25%
Generic plants	from 3% to 20%
Other specific plants	15%
Conditioning plants	from 3% to 14,3%
Telephone systems and equipment	from 10% to 20%
Communication and telesignal plants	25%
Industrial and commercial equipment	from 7,1% to 15%
Electronic office machines	from 20% to 25%
Furniture and fittings	from 10% to 25%
Other assets	from 10% to 19%

If there are indications of a decline in value, assets are subjected to an impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. When the reasons for a write-down no longer apply, the asset's cost may be reinstated. The increased carrying amount attributable to the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

This reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Leasing transactions

Assets acquired through financial leases are registered under property, plant and equipment, and are entered at the lower of the market value and the value obtained by time-discounting the rents and redemption price determined at the time the contract is signed. The relevant liability is entered under 'Financial liabilities'.

The leases, in which the lessor substantially maintains the risks and benefits associated with the ownership of assets, are itemised as operating leasing. The earnings (costs) emerging from operating leasing are entered straight-line in the income statement during the life of the leasing contract.

Impairment of non-financial assets

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment when there are indications that impairment has occurred. In the case of goodwill and other assets with indefinite lives this test must be conducted at least annually.

In the case of goodwill, the Group carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.
The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater. Value in use is the present value of future cash flows expected to be derived from an asset or a Cash Generation Unit (CGU) and from its disposal at the end of its useful life. CGUs have been identified within the Group's organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

Deferred income tax assets

Deferred income tax assets are recorded at face value. They are entered in the books when their recovery is deemed probable. See also the comment under item 'Income taxes'.

Financial assets

Receivables and financial fixed assets that will be held until their maturity are stated at the cost represented by the fair value of the initial payment given in exchange, increased by the costs of the transaction (e.g. commissions, consultancy fees, etc.).
The initial statement value is subsequently modified to take into account any capital repayments, write-downs and amortization of the difference between the reimbursement value and the initial statement value. The amortization is carried out based on the effective internal rate which is the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial statement (so-called amortized cost method).

Financial assets destined for negotiation and financial assets available for sale are stated at fair value with the effect accounted in the income statement item 'Finance income/(cost)' and the Shareholders' Equity item 'Other reserves' respectively.
When the purchase or sale of a financial asset foresees the payment for the transaction and the delivery of the asset within a set number of days, established by the market authorities or by convention (e.g. purchase of shares on regulated markets), the transaction is stated at the payment date.

Financial assets that are sold are eliminated from the assets when the right to receive cash flow is transferred together the risks and benefits associated with the ownership of that asset.
At each reporting date the Group assess whether there is any indication that a financial asset or a group of financial assets may be impaired.

Current assets

Inventory

Stock is taken at the lower of acquisition cost and realisable value, as obtained from market trends, whilst taking into account the features peculiar to the target sector of the Group concerned, which sells mainly IT products and consumer electronics that rapidly become obsolete.
The configuration of cost adopted when valuating stock is based on the FIFO method of accounting.
Purchase cost considers additional expenses as well as any discounts and allowances granted by vendors, in accordance with the sector's standard business practice, in relation to predetermined sales targets being achieved and marketing activities being adequately developed in order to promote the brands being distributed and to develop the sales channels utilised. Cost includes 'price protections' on inventories granted by suppliers on the purchasing prices.

Obsolete and surplus stock and stock characterised by slow turnover is written down to reflect the chances of selling it.

Trade and other receivables

Trade and other receivables are initially stated at 'fair value'.
After first appraisal, receivables are stated at the amortised cost based on the real IRR (Internal Rate of Return), that is, the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial appraisal (so-called amortised cost method).
The amount obtained using the amortised cost method, is then reduced to the realisable amount in the case of loss occurring.
Write-downs are determined by considering the solvency of individual creditors, the insurance coverage and the level of credit risk, based on the available information and accumulated historical experience.
Receivables assigned without recourse can be de-recognized only when they meet the de-recognition requirements of IAS 39.

Income tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. See also the comment under item 'Income taxes'.

Other current assets

Other current assets are stated at the lesser of the cost and the net realisable value.

Cash and cash equivalents

Cash in hand includes all liquid funds and deposits in bank accounts that are immediately available, as well as other liquidity with a duration of less than three months.
The liquid funds in euro are stated at their face value, while liquid funds in other currencies are stated at the current exchange rate at the end of the year.

Non-current assets held for sale

A non-current asset held for sale (or assets of a disposal group) is an asset whose carrying amount will be recovered principally through a sale transaction rather than through its continuing use. As consequence a non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell, and depreciation on such asset ceases.
It is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale is highly probable.

Net equity

Own shares

Own shares are stated at cost and deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognized in equity.

Current and non-current liabilities

Short-term financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.
Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the

actual interest rate for the discount calculation.
Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.
The fair value of a financial asset or liability quoted in an active market is defined, at each reporting date, in terms of the quoted market price or of the dealers' price ('bid price' for asset held or liability to be issued, 'asking price' for an asset to be acquired or a liability held), without any deduction for transaction costs. If the market for a financial instrument is not active the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions for risks and charges

Provisions are made when: (i) there is the probable existence of an obligation, be it actual, legal or implicit, due to past events; (ii) it is probable that the fulfilment of the obligation be against payment; (iii) the amount of the obligation can be reasonably ascertained. The provisions are stated at the value that represents the best estimate of the amount that the company would reasonable paid for settling the obligation or transferring it to third parties at year end. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are actualised; the increase in the provisions linked to the passing of time is stated in the separate income statement in the item 'Finance costs'.

Staff post-employment benefits

Staff post-employment benefits are defined on the basis of plans which even though not yet official are called either 'fixed contribution' or 'defined benefit' plans, depending on their characteristics.
In the 'fixed contribution' plans the obligation of the company, limited to the payment of contributions to the State or entity or a distinct legal authority (fund), is calculated on the basis of the contributions owed. Until the 2007 Financial Law and relative enforcing decrees came into force, the uncertainty regarding payment times meant that staff severance indemnity (TFR) was likened to a defined benefit plan.
Following the reform, the allocation of accruing staff severance indemnity quotas to the pension fund or to INPS, the Italian Social Security body, caused the transformation of the plan into a fixed contribution plan, where the company's obligation is exclusively the payment of the contributions either to the fund or to INPS.
Liabilities relating to past staff severance indemnity still represent a defined benefits plan calculated by independent actuaries using an actuarial-type method.
Since 2013 actuarial profits and losses, deriving from changes to actuarial hypotheses, are reported in an appropriate equity reserve figure as required by the IAS19R.
Pursuant to IAS 19, the above-mentioned reform has made it necessary to recalculate the value of the past staff severance indemnity provision due to the exclusion of the actuarial hypotheses linked to salary increases and the revision of financial-type hypotheses. This effect (curtailment) has been reported in the 2007 separate income statement in reduction of personnel costs.

Payables, other debts, other liabilities

Payables, other debts and other liabilities are initially reported at their fair value increased by any costs linked to the transaction.
They are later reported in the income statement at their face value, since no time-discounting or separate entry of interest payable is deemed necessary given the foreseen payment times.

Provisions for presumed debt are liabilities paid for goods or services which have been received or supplied but not yet paid and include amounts due to staff or other subjects.

The degree of uncertainty regarding the timing or amount of the allocations for 'Other debt/liability' is rather less than that of the provisions.

For further details regarding trade payables please see 'Definitions' below.

Income statement

Revenues and expenses

Revenues from sales and services are stated at the moment of transfer of the typical risks and advantages of property or at the time the service is performed.
Revenues are recognised at the time of shipment when the risk of loss is transferred to the buyer at that time.
Revenues are stated net of returns, discount, allowances and bonuses, as well as directly related taxation.
Costs are recognised when related to goods and services sold or used in the period or proportionally when their useful future life cannot be determined.

The purchase cost of products is reported net of any discounts granted by vendors for 'protection' provided in respect of price-list reductions and product replacements. Credits arising from any such allowances are recorded by using the accrual method of accounting, based on information from the vendors concerned.
Discounts granted for immediate cash payments of invoices payable upon presentation are used to reduce the cost of the products purchased, since – as is standard practice in the sector in which the Group operates – the commercial component is considered predominant.

Dividends

Dividend payable is stated at the date of approval of the decision by the Assembly.

Earnings per share

Basic

Basic earnings per share are calculated by dividing the Group's year-end profit by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as own shares.

Diluted

The diluted profit per share is calculated by dividing the Group's year-end profit by the weighted average of ordinary shares in circulation during the accounting period, excluding any own shares. For the purposes of the calculation of the diluted profit per share, the weighted average of the shares in circulation is modified by assuming the exercising by all owners of rights that potentially having diluting effects, while the net result of the Group is adjusted to take into account any effects, net of taxes, of the exercising of said rights. The result per diluted share is not calculated in the case of losses, in that any diluting effect would determine an improvement in the result per share.

Stock grants

Labour costs include stock options and/or stock grants awarded to managers in as much as they represent actual remuneration accruing at the closing date of the financial statements.
The cost is calculated in reference to the fair value of the assignment awarded to the employee.
The portion belonging to the period is calculated pro rata temporis over the vesting period.

The fair value of assigned stock grants is measured by the 'Black-Scholes' and is stated in the form of a counterparty in the 'Reserves'.

Income taxes

Current income taxes are calculated with an estimate of taxable income for each Group company; the forecast payable is stated in the item 'Current income tax liabilities' but, if surplus accounts have been paid, the receivable is stated in the item 'Current income tax assets'. Tax payables and receivables for current taxation are stated at the value that it is expected to pay to or to recover from the Tax Authorities when applying the rates and current tax law or laws which have been substantially approved at the end of the period.

Deferred and advance income taxes are calculated using the 'liability method' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognised for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.
Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.

Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item 'Deferred income tax assets'; if it is negative, it is stated in the item 'Deferred income tax liabilities'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which the entity operates (the functional currency).
The consolidated financial statements are presented in euro, which is the Group's functional and presentation currency.

Currency transactions and translation criteria

Foreign currency transactions are entered under functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currency are converted into euro by applying the current exchange rate at the end of the period and the effect is stated in the separate income statement. Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are valued at fair value or their recoverable or sale value, the current exchange rate is used on the date that the evaluation is made.

Exchange rate	Punctual at 31/12/2015	Average period
Hong Kong Dollar (HKD)	8,18	8,59
Swiss franc (CHF)	1,07	1,09
US Dollar (USD)	1,05	1,11

Financial derivatives

Derivatives are financial assets and liabilities that are stated at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the underlying instrument is documented and the effectiveness of the hedge is both high and regularly verified.

When a derivative covers the risk of variation of cash flow of the underlying instrument (cash flow hedge; e.g. to cover the variability of cash flow of assets/liabilities due to changes in interest rates),

the variation in the fair value of the derivative is initially stated in the shareholders' equity (and, consequently, in the statement of comprehensive income) and afterwards in the separate income statement in line with the economic effects produced by the covered transaction.
If the hedging instrument expires or is sold, terminated or exercised (replacement excluded), or if the entity revokes the designation of the hedging relationship, the cumulative gain or loss on the hedging instrument recognised directly in equity from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the separate income statement.

Other information

Please note that the information required by Consob regarding significant operations and balances with related parties has been entered separately in the statement of accounts solely when significant and can also be found under 'Other significant information'.

2.7 Critical accounting estimates and definitions

2.7.1 Introduction

The IT and electronic consumables distribution sector presents some significant specific features, as it is to some extent independent of geographic constraints, especially as regards commercial relations with suppliers of products or vendors.
This is particularly evident in the conditions and formation of the so-called back-end profit margin, which results from the difference between the purchase price of the products and the sales price to the final consumer or reseller according to the terms of each supplier (with respect of the distributor's main function which naturally remains that of brokering the flow of products between supplier/producer and reseller/retailer).
Purchase conditions typically provide for a basic discount on end-users'/resellers' price lists and a series of additional conditions that vary from vendor to vendor in terms of function and terminology but which can normally be summarised in the following categories:
- bonuses/rebates for attaining targets ('sell-in', 'sell-out', number of clients, logistic efficiency);
- development funds, co-marketing and other incentives;
- cash discounts (so-called 'prompt payment discounts').

The Group further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.
In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.

As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.
These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.

In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced earnings, the cash discounts are accounted for in the form of reduced purchase costs.

It is not possible within the sector to establish mid-norm payment terms policies regarding payment to suppliers as there is a considerable variety of conditions according to supplier. More in particular, payment terms range from a minimum of 7 to a maximum of 120 days, and only occasionally a cash

payment is required. In some cases, the payment terms set out in the invoice are the object of further agreed deferrals, for each shipment or on the basis of clearly-defined commercial programmes set up by the suppliers.
In the cases in which the above-mentioned deferrals carry an additional charge, the interest rate applied is not explicit, except in rare cases. Further, it often happens that implicit deferral terms – sometimes applied through a reduction in the contractually agreed cash discounts – have no connection with the current financial market rates, thus revealing how the commercial item takes precedence over the strictly financial item compensating for the delay between the date the debt arises and its effective payment.
This element is also suborned by the relatively brief duration, on average, of the deferral period, even when extended, which never, except in rare cases, exceeds 90 days.

2.7.2 Critical Definitions

For the purposes of the drafting of the present statement of accounts, and as a further qualification of the definitions contained in the IFRS, some conventional definitions regarding the nature of the liability entries have been adopted.

Short-term financial liabilities

'Financial debt' is the term used to describe obligations to pay given amounts on a given date arising from the obtaining of financial liquidity as a loan.
These include the type of transaction set out below, prevalently of a financial character and explicitly remunerated, and, in terms of the identity of the creditor, typically represented by a financial body or institution.

As examples, and regardless of the item's current or non-current character, the following liabilities are considered financial debt:

- payables to banks;
- payables to leasing companies (financial leasing operations);
- payables to factoring companies (without recourse advances).

Not included in the category of financial debt are those liabilities which, although not deferred payment for the purchase of goods or services, nevertheless do not strictly constitute loans.
By contrast, costs deriving from the above-mentioned loans, including interest on current account overdrafts, on short and medium/long-term loans, the amortisation of initial loan operation costs, costs associated with financial leasing and exchange-rate differences, are entered in the books among the financial costs.

Trade payables

The category 'payables to suppliers' includes liabilities arising from the deferred purchase of goods or services.
Liabilities representing the deferred payment of goods or services are therefore entered under payables to suppliers at their face value, since no updating and separate itemisation in the income statement in terms of explicit or separate interest due is deemed necessary for considering the expected payment times.

2.7.3 Critical accounting estimates and assumptions

The preparation of the financial statements and the related notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities.
Estimates and assumptions have been made based on historical experience and other factors, including expectations of future events, the manifestation of which are deemed reasonable.

Estimates and assumptions are revised on a regular basis, and the impact of such revision is immediately recognised in the income statement in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.

The assumptions regarding future performance are characterized by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the book values of the relative items, cannot be excluded for the next financial year.

The financial statement items mainly affected by these situations of uncertainty are certain sales revenues, some sales reversals, the provisions for risks and charges, the allowances for doubtful accounts, depreciations and amortisation, employee benefits, income taxes and goodwill.

The critical valuation processes and the estimates and assumptions deemed likely to produce significant effects on the financial situation of the Group, should the future events set out not take place in whole or in part, are summarised below.

Goodwill

For purposes of verifying loss of goodwill value entered in the books, the 'value in use' of the Cash Generating Units ('CGUs') to which a goodwill value has been attributed has been calculated.
The CGUs have been identified within the Group's organisational and business structure as homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.
The use value has been calculated by the discounting back of expected cash-flows for each CGU as well as of the value expected from its disposal at the end of its useful life.
To this end, the so-called Discounted Cash Flow Model (DCF) has been used, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

'Fair value' of derivatives

For purposes of the present statement of accounts it has been necessary to measure the fair value of the IRS - Interest Rate Swap contracts signed in December 2014 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'.

Their conditions fully comply with International Accounting Standard 39 regarding 'hedge accounting'(formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) and as a consequence, the derivative contracts were subject to the 'cash flow hedge' accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) has been recognised directly in equity. Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Stock grant

For the purposes of the present statement of accounts, it has been necessary to include in the books the economic/asset effects associated with the stock grant plans in favour of some managers of Esprinet S.p.A., the operation of which is better illustrated in the paragraphs 'Share incentive plans' and 'Share capital'.
The cost of these plans has been specifically determined with reference to the fair value of the rights assigned to the single beneficiaries at assignment date.
Bearing in mind the unusual and manifold operating conditions – in part governed by the consolidated financial results of the Group and in part by the permanence of the beneficiary in the

Group until the vesting date of the plans – this fair value has been measured using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield and the risk-free interest rate into account.

Revenue recognition

For purposes of recognising earnings on sales and services, insufficient information regarding haulers' actual consignment dates, means that dates are usually estimated by the Group on the basis of historical experience of average delivery times which differ according to the geographical location of the destination.

Credit notes due from vendors

Bearing in mind the unusual practices of the sector regarding the way purchase and sale conditions are defined and, ultimately, the way the trading margin is formed and stated, estimates are usually effected by the Group, especially where the occurrence of events might provoke significant financial effects.
Estimates of the sums of credit notes due from vendors to suppliers as rebates for the achieving of targets and incentives of various kinds, reimbursements for joint marketing activities, contractual stock protection, etc. at the drafting date of this document are referred to in particular.

The Group has developed a series of procedures and checks to minimise possible errors in evaluations and estimates of the credit notes due.
However, the possibility of differences emerging between the estimated sums and those actually received in the final statement of financial position cannot be excluded.

Depreciation and amortisation of assets

Tangible and intangible assets with a defined useful life are systematically depreciated throughout their useful life.
Useful life is defined as the period in which the activities will be used by the Company.
This is estimated on the basis of experience with similar assets, market conditions and other events likely to exercise any influence on the useful life including, just as an example, significant technological changes.
As a result, the actual economic life may differ from the estimated useful life.
The validity of the expected useful life in terms of its asset category is regularly checked by the Group. This revision may result in variations to the periods of depreciation and amortization quotas in future accounting periods.

Bad debt provision

For purposes of calculating the presumed degree of encashment of receivables, the Group makes forecasts concerning the degree of solvency of the other parties, on the basis of available information and historical experience.
The actual value of encashment of receivables may differ from that estimated because of uncertainties regarding the conditions underlying the appraisal of solvency made.

Any extension and/or deterioration of the present economic and financial crisis may cause a further worsening in the financial conditions of the Group's debtors as opposed to that already taken into consideration when estimating the provision entered in the statement of financial position.

Stock obsolescence provision

The Company usually effects forecasts regarding the value of encashment of obsolete, surplus or slow-moving warehouse stocks.
This estimate is mainly based on historical experience and takes into consideration the peculiarities of the respective stock sectors.

The value of encashment of the stocks may differ from that estimated because of the uncertainty affecting the conditions underlying the estimates made.

The present economic and financial crisis may cause a further worsening in market conditions compared with that taken into consideration when estimating the provision entered in the financial statements.

Provision for risks and charges

The Group makes provision for risks and charges on the basis of assumptions referred essentially to sums that might reasonably be paid to meet obligations for payment relating to past events.
This estimate is the result of a complex process involving legal and tax consultants as well as subjective judgement on the part of the Group's management. The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision.

Benefits to employees

Liabilities arising from benefits to employees subsequent to the employment noted in the statement of accounts are calculated by the application of actuarial methods as per IAS 19.
These methods have required the identification of several employment possibilities and estimates of a demographic (probability of death, disability, leaving the labour market, etc.) and financial nature (technical rate of discounting back, inflation rate, rate of increase in remuneration, rate of increase of severance indemnity).

The validity of the estimates made depends essentially on the stability of the regulations used as a reference point, the progress of market interest rates, the progress of the remuneration dynamics and eliminations, and also on the frequency of access to advances on the part of employees.

Income tax expenses

Current income taxes are calculated on the basis of the estimate of liable earnings, by applying the current fiscal rates pertaining on the date of the drafting of the statement of accounts.

Deferred and advance taxes are determined by the temporary differences arising between the values of the assets and liabilities reported and the corresponding values recognised for tax purposes, using those tax rates considered possible upon encashment of the asset or extinguishment of the liability. Deferred tax assets are registered when the associated recovery is deemed probable; this probability depends upon the effective existence of taxable results in the future enabling deductible temporary differences to be used.
The future taxable results have been estimated by taking into consideration the budget results and the plans consistent with those used to effect impairment tests. The fact that deferred tax assets refer to temporary tax differences/losses, a significant amount of which may be recovered over a very long time-span, compatible therefore with a situation where overcoming the crisis and economic recovery might extend beyond the time-frame implicit in the aforementioned plans, has also been taken into account.

2.8 Recently issued accounting standards

New or revised accounting standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards, amendments and interpretations approved by IASB (International Accounting Standard Board) and IFRIC (Financial

Reporting Interpretation Committee) published in the Official Journal of the European Union effective from 1 January 2016.
The nature and the impact of each new standard or amendment on half-yearly condensed Financial Report is described below:

Amendments to IAS 19 - Defined contribution plans: Contributions by employees - These amendments introduce the distinction between types of contributions envisaging a different accounting approach. When contributions are linked to the service rendered they are required to be attributed to periods of service as reduction of service costs (negative benefit). This amendment clarifies that if the amount of contribution does not depend on years of service, the entity is allowed to recognise the contribution as reduction of service costs in the period the service is rendered, instead of attributing them to the service periods. These amendments were approved by the European Union in December 2014 (EU Regulation No. 2015/29), and apply to accounting periods starting from 1 February 2015, or later.

Annual improvements to the IFRS, 2010-2012 Cycle - These amendments apply to financial statements for annual periods beginning on or after 1 February 2015 and were endorsed by the European Union in December 2014 (Regulation EU 2015/28). These improvements were applied by the Group for the first time in the condensed half-yearly consolidated financial statements as at 30 June 2016. IASB amended these standards and the changes mainly concern: the definition of vesting conditions relating to the IFRS 2, Share-based Payments; accounting for . contingent consideration balances in the context of business combination transactions in IFRS 3, Business Combination Transactions; the aggregation of operating segments and reconciliation of total assets of reportable segments compared to the total assets of the entity in IFRS 8, Operating Segments; the proportional restatement of cumulative amortisation in IAS 16 Property, Plants and Equipment and in IAS 38, Intangible Assets; as well as the identification and some information to be included in the financial statements in accordance with IAS 24 Disclosures on Transactions with Related Parties.

Annual Improvements to the IFRS, 2012-2014 Cycle - these amendments were endorsed by the European Union in December 2015 (EU Regulation 1361/2014), apply from 1 January 2016, or later. and relate to the following:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS5. The amendment must be applied prospectively.

- IFRS 7 Financial instruments: Disclosure – (i) Servicing contracts: The amendment clarifies that servicing contract that include a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required.. The assessment of whether a service contract entails a continuing involvement must be done retrospectively. However, such disclosures are not required for any period beginning before the annual period in which the entity first applies the amendment. (ii) Applicability of the IFRS 7 amendments to condensed interim financial statements: The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

- IAS 19 Employee Benefits - The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no active market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting - The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively. These amendments didn't have any impact in the Group figures.

Amendments to the IFRS 11 – Joint Arrangements – The amendments to IFRS 11 require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, relevant principles in IFRS 3 relating to accounting for joint arrangements. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control. An exemption from IFRS 11 scope was introduced in order to clarify that the amendments do not apply if the joint operators, including the reporting entity, are controlled by the same entity. The amendments apply to the first acquisition of an interest under a joint arrangement as well as to subsequent interests acquired under the same arrangement. The amendments were endorsed by the European Union in November 2015 (EU Regulation 2015/2173) and apply to annual periods beginning on or after 1 January 2016, or later.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These changes were approved by the European Union in December 2015 (EU Regulation No. 2015/2441), and apply to the financial statements effective as of 1 January 2016, or later.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants - The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets will no longer be within the scope of IAS 41 Agriculture instead, IAS 16 is applied. The Group does not have any bearer plants.

Amendments to IAS 1 – Disclosure initiative– The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- - The materiality requirements in IAS 1;
- - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- - That entities have flexibility as to the order in which they present the notes to financial statements;
- - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments were endorsed by the European Union in December 2015 (EU Regulation 2015/2406) and apply to annual periods beginning on or after 1 January 2016.

Amendments to IAS 27 - Equity Method in Separate Financial Statements – The amendments allow an entity to use the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. An entity having already adopted IFRSs and electing to change to the equity method in its separate financial statements must apply the amendment retrospectively. These changes were approved by the European Union in December 2015 (EU

Regulation No. 2015/2441), and apply to the financial statements effective as of 1 January 2016, or later.

Investment Entities: applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28) - The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. the Group does not apply the consolidation exception.

The abovementioned amendments had no significant impacts on the Group consolidated financial statements as at 31 December 2016.

Standards approved but not yet in force

Principles and interpretations issued but yet not effective, at the date this Group financial statement was drawn, are as follows: The Group intends to adopt these standards once they become effective.

IFRS 9 – Financial Instruments (issued in July 2014) IFRS 9 brings together the three phases of the project on accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after 1 January 2008, with early application permitted. Except for hedge accounting, the standard must be applied retrospectively, however comparative disclosures are not required. As for hedge accounting, as a rule the standard will apply prospectively, with limited exceptions.

IFRS 15 'Revenues from contracts with customers': the standard, issued by the IASB on 28 May 2014, introduces a new five-step model and will apply to all contracts with customers. IFRS 15 provides for revenues to be accounted for at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard will replace all current IFRS requirements relating to revenue recognition. The standard will be effective for annual periods beginning on or after 1 January 2018, using either a full retrospective approach or a modified retrospective approach. Early application is permitted.
The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.
The IFRS 15 implementation plan will require the analysis of existing contracts under the five-step model in order to identify any effects on equity and income. On the basis on preliminary analysis carried out on contract types, since the Group operates in the B2B distribution of IT and Consumer Electronics products with limited supply of services produced internally, this is deemed to have no significant impact; further analysis, valuation and system implementation are on-going as regards other changes introduced by this Standard, which should have no significant effect according to the preliminary analysis carried out.

IFRS 16 Leases - IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases

with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – The amendments, published in September 2014, have the aim of clarifying the accounting treatment, both in the case of loss of control over a subsidiary (disciplined by IFRS 10), and in the cases of downstream transactions disciplined by IAS 28, depending on whether the subject matter of the transaction is (or not) a business, as defined by IFRS 3. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 - on 19 January 2016 IASB published some amendments clarifing that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

Amendments to IAS 7 - Disclosure Initiative - The changes are intended to improve disclosure of cash flows related to the net cash flow generated/absorbed by investing activities and to the entity's liquidity, especially in the presence of restrictions on the use of cash and cash equivalents. These amendments are effective for annual periods beginning on or after 1 January 2017.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 - The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On

adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments are effective for annual periods beginning on or after 1 January 2018 with early application permitted.

Any possible impact on the financial statement disclosures arising from the application of these changes is under review.

3. Segment information

3.1 Introduction

An operating segment is a component of the Group:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group);
b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
c) for which financial information is separately available.

The Esprinet Group is organised in the geographical business areas of Italy and the Iberian Peninsula (operating segments) where it performs the business-to-business (B2B) distribution of Information Technology (IT) and consumer electronics.

The B2B IT and consumer electronics distribution is aimed at professional dealers, including large-scale distributors/retailers, and regards traditional IT products (desktop PCs, PC notebooks, printers, photocopiers, servers, standard software, etc.),consumables (cartridges, tapes, toners, magnetic supports), networking products (modems, routers, switches), tablets, smartphones and related accessories and state-of-the-art digital and entertainment products such as photo cameras, video cameras, videogames, LCD TVs, handhelds and MP3 readers.

A 'geographical segment' is involved in investments and transactions aimed at providing products or services within a particular economic environment that is subject to risks and returns that are different from those achievable in other geographical segments.

A 'business segment' is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Although the organisation by geographical segments is the main way of managing and analysing the Group's results, the next tables also provide a fuller picture of the operating results and asset balances of the business segments where the Group operates in Italy.

3.2 Separate income statement by operating segments

The separate income statement, statement of financial position and other significant information regarding each of the Esprinet Group's operating segments are as follows:

Separate income statement and other significant information by operating segments

(euro/000)	2016			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. It & CE B2B		
Sales to third parties	1,995,640	1,046,689	-	3,042,330
Intersegment sales	46,506	-	(46,506)	-
Sales	**2,042,146**	**1,046,689**	**(46,506)**	**3,042,330**
Cost of sales	(1,916,365)	(1,008,404)	46,334	(2,878,435)
Gross profit	**125,781**	**38,285**	**(172)**	**163,895**
Gross Profit %	*6.16%*	*3.66%*		*5.39%*
Other income	2,838	-	-	2,838
Sales and marketing costs	(41,913)	(7,940)	(18)	(49,871)
Overheads and admin. costs	(60,967)	(17,357)	28	(78,296)
Operating income (Ebit)	**25,739**	**12,988**	**(162)**	**38,566**
EBIT %	*1.26%*	*1.24%*		*1.27%*
Finance costs - net				(2,847)
Share of profits of associates				1
Profit before income tax				**35,720**
Income tax expenses				(8,850)
Net income				**26,870**
- of which attributable to non-controlling interests				203
- of which attributable to Group				26,667
Depreciation and amortisation	**3,068**	**560**	322	**3,950**
Other non-cash items	**4,067**	**207**	-	**4,274**
Investments	**6,672**	**5,039**	-	**11,710**
Total assets	**880,942**	**495,320**	(207,659)	**1,168,603**

(euro/000)	2015			
	Italy	Iberian Pen.	Elim. and other	Group
	Distr. IT & CE B2B	Distr. IT & CE B2B		
Sales to third parties	1,997,979	696,075	-	2,694,054
Intersegment sales	42,871	-	(42,871)	-
Sales	**2,040,850**	**696,075**	**(42,871)**	**2,694,054**
Cost of sales	(1,914,761)	(665,251)	42,822	(2,537,190)
Gross profit	**126,089**	**30,824**	**(49)**	**156,864**
Gross profit %	*6.2%*	*4.4%*		*5.8%*
Other income	-	-	-	-
Sales and marketing costs	(37,867)	(6,035)	(72)	(43,974)
Overheads and admin. costs	(54,355)	(12,130)	94	(66,391)
Operating income (Ebit)	**33,867**	**12,659**	**(27)**	**46,499**
EBIT %	*1.7%*	*1.8%*		*1.7%*
Finance costs - net				(4,243)
Share of profits of associates				(9)
Profit before income tax				**42,247**
Income tax expenses				(12,206)
Net income				**30,041**
- of which attributable to non-controlling interests				(280)
- of which attributable to Group				30,321
Depreciation and amortisation	**2,713**	**380**	244	**3,337**
Other non-cash items	**3,113**	**130**	-	**3,243**
Investments	**4,780**	**951**	-	**5,731**
Total assets	**812,345**	**277,017**	(127,547)	**961,815**

Statement of financial position by operating segments

(euro/000)	31/12/2016			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	12,076	3,208	-	15,284
Goodwill	22,891	67,259	1,039	91,189
Intangible assets	1,430	39	-	1,469
Investments in associates	39	-	-	39
Investments in others	75,826	-	(75,826)	-
Deferred income tax assets	2,825	9,006	100	11,931
Derivative financial assets	-	38	-	38
Receivables and other non-current assets	6,542	354	-	6,896
	121,629	**79,904**	**(74,687)**	**126,846**
Current assets				
Inventory	224,075	105,130	(319)	328,886
Trade receivables	283,980	104,692	-	388,672
Income tax assets	4,683	1,492	-	6,175
Other assets	157,924	6,820	(132,653)	32,091
Cash and cash equivalents	88,651	197,282	-	285,933
	759,313	**415,416**	**(132,972)**	**1,041,757**
Disposal groups assets	-	-	-	-
Total assets	**880,942**	**495,320**	**(207,659)**	**1,168,603**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	275,206	27,372	(20,148)	282,430
Group net income	18,391	8,382	(106)	26,667
Group net equity	**301,458**	**90,447**	**(74,947)**	**316,958**
Non-controlling interests	1,037	20	(58)	999
Total equity	**302,495**	**90,467**	**(75,005)**	**317,957**
LIABILITIES				
Non-current liabilities				
Borrowings	5,849	22,984	-	28,833
Derivative financial liabilities	-	66	-	66
Deferred income tax liabilities	2,904	3,196	-	6,100
Retirement benefit obligations	5,185	-	-	5,185
Debts for investments in subsidiaries	3,942	-	-	3,942
Provisions and other liabilities	2,523	497	-	3,020
	20,403	**26,743**	**-**	**47,146**
Current liabilities				
Trade payables	413,346	202,166	-	615,512
Short-term financial liabilities	122,466	155,919	(126,500)	151,885
Income tax liabilities	244	496	-	740
Derivative financial liabilities	428	55	-	483
Debts for investments in subsidiaries	3,959	759	-	4,718
Provisions and other liabilities	17,601	18,715	(6,154)	30,162
	558,044	**378,110**	**(132,654)**	**803,500**
Disposal groups liabilities	-	-	-	-
Total liabilities	**578,447**	**404,853**	**(132,654)**	**850,646**
Total equity and liabilities	**880,942**	**495,320**	**(207,659)**	**1,168,603**

(euro/000)	31/12/2015			
	Italy	Iberian Pen.		
	Distr. IT & CE B2B	Distr. IT & CE B2B	Elim. and other	Group
ASSETS				
Non-current assets				
Property, plant and equipment	10,494	1,636	-	12,130
Goodwill	15,646	58,561	1,039	75,246
Intangible assets	620	44	-	664
Investments in associates	47	-	-	47
Investments in others	75,733	-	(75,733)	-
Deferred income tax assets	3,175	5,123	49	8,347
Derivative financial assets	-	-	-	-
Receivables and other non-current assets	7,147	198	-	7,345
	112,862	**65,562**	**(74,645)**	**103,779**
Current assets				
Inventory	218,316	87,296	(157)	305,455
Trade receivables	192,271	59,222	-	251,493
Income tax assets	3,490	-	-	3,490
Other assets	69,817	437	(52,745)	17,509
Cash and cash equivalents	215,589	64,500	-	280,089
	699,483	**211,455**	**(52,902)**	**858,036**
Disposal groups assets	-	-	-	-
Total assets	**812,345**	**277,017**	**(127,547)**	**961,815**
EQUITY				
Share capital	7,861	54,693	(54,693)	7,861
Reserves	259,855	18,798	(20,027)	258,626
Group net income	21,802	8,547	(28)	30,321
Group net equity	**289,518**	**82,038**	**(74,748)**	**296,808**
Non-controlling interests	814	35	(52)	797
Total equity	**290,332**	**82,073**	**(74,800)**	**297,605**
LIABILITIES				
Non-current liabilities				
Borrowings	65,138	-	-	65,138
Derivative financial liabilities	224	-	-	224
Deferred income tax liabilities	2,517	2,240	-	4,757
Retirement benefit obligations	4,044	-	-	4,044
Debts for investments in subsidiaries	5,222	-	-	5,222
Provisions and other liabilities	2,240	255	-	2,495
	79,385	**2,495**	**-**	**81,880**
Current liabilities				
Trade payables	392,254	130,182	-	522,436
Short-term financial liabilities	29,038	50,276	(50,000)	29,314
Income tax liabilities	111	640	-	751
Derivative financial liabilities	195	-	-	195
Provisions and other liabilities	21,030	11,351	(2,747)	29,634
	442,628	**192,449**	**(52,747)**	**582,330**
Disposal groups liabilities	-	-	-	-
Total liabilities	**522,013**	**194,944**	**(52,747)**	**664,210**
Total equity and liabilities	**812,345**	**277,017**	**(127,547)**	**961,815**

3.3 Other information

The Group's operating segments can be identified by the geographical markets where the Group operates: Italy and Iberian Peninsula.
'Iberian peninsula' segment is represented by Esprinet Iberica S.L.U., Esprinet Portugal Lda, V-Valley Iberian S.L.U. and Vinzeo Technologies S.A.U., together with its controlled company Tape S.L.U.. With reference to 'Italy' the main B2B IT and consumer electronics distribution segment was displayed which refers to the holding company Esprinet S.p.A. and to the subsidiaries V-Valley S.r.l., EDSlan S.r.l., Mosaico S.r.l. and Celly S.p.A., the latter together with its foreign subsidiaries and associates.
Intra-segment operations, including those between the minor Italian segments, are identified in terms of the counter-party and the accounting rules are the same as those used in the case of transactions with third-parties which can be found under 'Main valuation criteria and accounting'.
Details of the Group's revenues from external customers by product family and geographical area, with quotas effected in the country where the parent company is headquartered highlighted, can be found under the section 'Revenues' in the 'Notes to income statement items'. Geographical area breakdown depends in particular on the customers' country of residence.

The Group is not dependent on its major customers despite revenues from transactions with entities operating in the 'B2B' of IT and consumer electronics known to be under common control of one sole entity and, pursuant to IAS 8.34 considered as a single customer, amounting to approx. 10% in terms of consolidated revenues.

4. Disclosure on risks and financial instruments

4.1 Definition of risks

The international accounting principle IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performances;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the reporting date, and how the entity managed those risks.

The principles in this IFRS complement and/or supersede the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 'Financial instruments: Presentation' and IAS 39 'Financial instruments: Recognition and Measurement'. Disclosures as per IFRS 7 and IFRS 13 are therefore reported in this section. Accounting principles regarding financial instruments used in preparing the consolidated financial statements can be found in the section 'Accounting principles and valuation criteria' whereas the definition of financial risks, the degree of the Group's exposure to the various identified categories of risk, such as:

a) credit risk;
b) liquidity risk;
c) market risk (currency risk, interest rate risk, other price risk);

and the relevant risk management policies have been analysed in depth under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Director's Report on Operations'.

4.2 Financial instruments pursuant to IAS 39: classes of risk and 'fair value'

The following table illustrates the relationship between the financial instrument items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting standard IAS 39:

Assets	31/12/2016				31/12/2015			
(euro/000)	Carrying amount	Financial assets at FVTPL[1]	Loans and receiv.	Not IAS 39	Carrying amount	Financial assets at FVTPL[1]	Loans and receiv.	Not IAS 39
Customer financial receivables	*2.292*		*2.292*		*2.696*		*2.696*	
Guarantee deposits	*4.604*		*3.027*	*1.577*	*4.649*		*3.040*	*1.609*
Consortium membership fees	-			-	-			-
Rec.and other non-curr. Assets	6.896		5.319	1.577	7.345		5.736	1.609
Non-current assets	**6.896**	**-**	**5.319**	**1.577**	**7.345**	**-**	**5.736**	**1.609**
Trade receivables	388.672		388.672		251.493		251.493	
Receivables from associates	*6*		*6*		*164*		*164*	
Receivables from factors	*1.492*		*1.492*		*2.714*		*2.714*	
Customer financial receivables	*509*		*509*		*507*		*507*	
Bank financial receivables	*5.087*		*5.087*		-		-	
Other tax receivables	*10.821*			*10.821*	*1.504*			*1.504*
Receivables from suppliers	*9.241*			*9.241*	*7.471*			*7.471*
Receivables from insurances	*1.881*		*1.881*		*1.863*		*1.863*	
Receivables from employees	*2*		*2*		*150*		*150*	
Receivables from others	*196*		*196*		*173*		*173*	
Receivables from others	*2.856*			*2.856*	*2.963*			*2.963*
Pre-payments	32.091		9.173	22.918	17.509		5.571	11.938
Cash and cash equivalents	285.933		285.933		280.089		280.089	
Current assets	**706.696**	**-**	**683.778**	**22.918**	**549.091**	**-**	**537.153**	**11.938**

Liabilities	31/12/2016				31/12/2015			
(euro/000)	Carrying amount	Financial liabilities at FVTPL[1]	Financial liabilities amortized cost	Not IAS 39	Carrying amount	Financial liabilities at FVTPL[1]	Financial liabilities amortized cost	Not IAS 39
Borrowings	28.833		28.833		65.138		65.138	
Derivative financial liabilities	66	66			224	224		
Debts for investments in subsidiar.	3.942	3.942			5.222	5.222		
Provisions of pensions	*2.325*			*2.325*	*1.904*			*1.904*
Other provisions	*480*			*480*	*560*			*560*
Cash incentive liabilities	*215*		*215*		*31*		*31*	
Provis. And other non-curr. Liab.	3.020		215	2.805	2.495		31	2.464
Non-current liabilities	**35.861**	**4.008**	**29.048**	**2.805**	**73.079**	**5.446**	**65.169**	**2.464**
Trade payables	615.512		615.512		522.436		522.436	
Short-term financial liabilities	151.885		151.885		29.314		29.314	
Derivative financial liabilities	483	483			195	195		
Debts for investments in subsidiar.	4.718		4.718		-		-	
Debts for investments in subsidiar.	*5*		*5*		*5*		*5*	
Associates liabilities	*4.379*		*4.379*		*3.007*		*3.007*	
Social security liabilities	*12.901*			*12.901*	*12.506*			*12.506*
Other tax liabilities	*12.458*		*12.458*		*13.779*		*13.779*	
Payables to others	*360*		*360*		*255*		*255*	
Deferred income	*59*			*59*	*83*			*83*
Provisions and other liabilities	30.162		17.202	12.960	29.635		17.046	12.589
Current liabilities	**802.760**	**483**	**789.317**	**12.960**	**581.580**	**195**	**568.796**	**12.589**

[1] 'Fair Value Through Profit and Loss' (FVTPL).

For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the chapter 'Notes to the statement of financial position items'. As can be seen in the previous table, the statement of financial position classifications provide an almost immediate distinction between classes of financial instruments, as per their different valuation methods and exposure to financial risk:

- financial instruments measured at amortised cost:
  - cash and cash equivalents and financial receivables (current and non-current);

- receivables from insurance companies;
- trade receivables;
- receivables from employees;
- receivables from associated companies;
- receivables from others;
- trade payables;
- financial liabilities;
- debts for investments in subsidiaries - other debts (current and non-current)

- financial instruments measured at 'fair value' since initial recognition:
  - derivative financial assets;
  - derivative financial liabilities;
  - debts for investments in subsidiaries;

Cash and cash equivalents are almost entirely immediately available bank deposits. These, together with financial receivables toward banks consisting of bank deposits restricted for more than three months, receivables from factoring companies which are usual counterparties for the Group operations, derivative financial assets (even though the latter are measured at fair value and not at amortised cost) and guarantee deposits with the counterparty under securitisation transactions, have a very low financial risk rating, substantially limited to credit risk.
This last circumstance is linked to the high standing of counter-parties, which are banks, financial services and factoring companies with high ratings and often also to credits as a result of loans and/or advance payments.
Receivables in the form of reimbursements already recognised by international insurance companies, and consequently with consolidated relationships with the Group, are of the same type and risk level.
Customers financial receivables are of the same type but with an even lower risk level, considering as they are composed by receivables from the Italian Public Administration.

Trade receivables are subject to credit risk. They are the result of a structured process that starts with customer selection and admission to a credit line and then monitoring the same credit facilities. The risk is mitigated by recourse to traditional insurance contracts with leading international insurance companies, without-recourse factoring schemes and, for the remainder, by specific guarantees (bank guarantees typically).
It should be noted that no significant financial effects have ever arisen from insolvency problems.

Receivables from others are subject to a sensibly lower credit risk compared to trade receivables due to the existence of contractual guarantees
Receivables from employees are made up of advances and, with reference to 2015 fiscal year for a portion equal to 143 thousand euro, of sums paid in 2016 for the reimbursement by the parent company from employees, have a lower credit risk than trade receivables, given the closer relationship between the parts and considering the continuity of the employment.
Receivables from associated companies are subject to the same risk level, due to the significant influence exerted by Esprinet S.p.A. as a consequence of the operative and management relationships established with the parent company.
Trade payables, other debts and debts for investments in subsidiaries measured at amortised cost, are subject to the risk that the Group will be unable to respect the payment commitments undertaken in a timely manner (liquidity risk).

Financial liabilities and derivative financial liabilities (even though the latter are measured at fair value and not at amortised cost) are exposed at the same but higher risky kind of risk than trade payables, due to the superior negotiating power of banks and the implicitly less flexible nature of covenants and obligations of the 'negative pledge', 'pari passu' or similar type in the case of medium/long-term loans.

Debts for investments in subsidiaries measured at 'fair value' are exposed to the same but intermediate liquidity risk than the two aforementioned classes of financial instruments (trade payables and financial liabilities) because of obligations stated in the acquisition agreement and because of the type of counterparts. The latter are minorities who are also directors of the subsidiary to which the option for buying the remaining stake of share capital refers.

The fair value measurement of financial assets and liabilities reported in the statement of financial statements as provided for by IAS 39 and governed by IFRS 7 and IFRS 13, grouped by classes of risk, and the methods and the assumptions applied in determining them, are as follows:

Assets	**31/12/2016**						**31/12/2015**					
		Fair value						**Fair value**				
(euro/000)	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employe	**Carrying amount**	Trade receiv.	Financial receiv.	Receiv. From others	Receiv. From insurers	Receiv. From employee
Customer financial receivables	*2,292*		*2,489*				*2,696*		*2,967*			
Guarantee deposits	*3,027*		*3,027*				*3,040*		*2,973*			
Other non current assets	5,319		5,516				5,736		5,940			
Non - current assets	**5,319**	**-**	**5,516**	**-**	**-**	**-**	**5,736**	**-**	**5,940**	**-**	**-**	**-**
Trade receivables	388,672	388,672					251,493	251,493				
Receiv. From associates	*6*					*6*	*164*					*164*
Receiv. From factors	*1,492*		*1,492*				*2,714*		*2,714*			
Customer financial receivables	*509*		*509*				*507*		*507*			
Bank financial receivables	*5,087*		*5,087*				*-*		*-*			
Receiv. From insurances	*1,881*				*1,881*		*1,863*				*1,863*	
Receiv. From employees	*2*					*2*	*150*					*150*
Receiv. From others	*196*			*196*			*173*			*173*		
Other receivables	9,173		7,088	196	1,881	8	5,571		3,221	173	1,863	314
Cash and cash equival.	285,933		285,933				280,089		280,089			
Current assets	**683,778**	**388,672**	**293,021**	**196**	**1,881**	**8**	**537,153**	**251,493**	**283,310**	**173**	**1,863**	**314**

Liabilities	**31/12/2016**					**31/12/2015**				
		Fair value					**Fair value**			
(euro/000)	**Carrying amount**	Trade payables	Financial payables	FVTPL derivat.	Other payables	**Carrying amount**	Trade payables	Financial payables	FVTPL derivat.	Other payables
Borrowings	28,833		28,461			65,138		64,182		
Financial derivatives	66			66		224			224	
Debts for investments in subsidiar.	3,942		3,940			5,222		5,137		
Cash incentive liab.	*215*				*215*	*31*				*31*
Provisions and other liab.	215				215	31				31
Non-current liabilities	**33,056**	**-**	**32,401**	**66**	**215**	**70,615**	**-**	**69,319**	**224**	**31**
Trade payables	615,512	615,512				522,436	522,436			
Short-term financial liab.	151,885		151,603			29,314		30,004		
Financial Derivatives	483			483		195			195	
Debts for investments in subsidiar.	4,718				-	-				-
Associates liabilities	*5*				*5*	*5*				*5*
Social security liabilities	*4,379*				*4,379*	*3,007*				*3,007*
Payables to others	*12,458*				*12,458*	*13,779*				13,779
Accroued exp. (insurance)	*360*				*360*	*255*				*255*
Provisions and other liab.	17,202				17,202	17,046				17,046
Current liabilities	**789,800**	**615,512**	**151,603**	**483**	**17,202**	**568,991**	**522,436**	**30,004**	**195**	**17,046**

The corresponding hierarchy level for each of the abovementioned fair value list is described below as required by IFRS 13:

Assets	31/12/2016			31/12/2015		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Customer financial receivables	*2,292*	*2,489*	*level 2*	*2,696*	*2,967*	*level 2*
Guarantee deposits	*3,027*	*3,027*	*level 2*	*3,040*	*2,973*	*level 2*
Other non current assets	5,319	5,516		5,736	5,940	
Non - current assets	**5,319**	**5,516**		**5,736**	**5,940**	
		-			-	
Trade receivables	388,672	388,672	*level 2*	251,493	251,493	*level 2*
Receiv. From associates	*6*	*6*	*level 2*	*164*	*164*	*level 2*
Receiv. From factors	*1,492*	*1,492*	*level 2*	*2,714*	*2,714*	*level 2*
Customer financial receivables	*509*	*509*	*level 2*	*507*	*507*	*level 2*
Customer financial receivables	*5,087*	*5,087*	*level 2*	-	-	*level 2*
Receiv. From insurances	*1,881*	*1,881*	*level 2*	*1,863*	*1,863*	*level 2*
Receiv. From employees	*2*	*2*	*level 2*	*150*	*150*	*level 2*
Receiv. From others	*196*	*196*	*level 2*	*173*	*173*	*level 2*
Receiv. From others	9,173	9,173		5,571	5,571	
Cash and cash equival.	285,933	285,933		280,089	280,089	
Current assets	**683,778**	**683,778**		**537,153**	**537,153**	

Liabilities	31/12/2016			31/12/2015		
(euro/000)	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
Borrowings	28,833	28,461	*level 2*	65,138	64,182	*level 2*
Financial derivatives	66	66	*level 2*	224	224	*level 2*
Debts for investments in subsidiaries	3,942	3,940	*level 3*	5,222	5,137	*level 3*
Cash incentive liab.	*215*	*215*	*level 2*	*31*	*31*	*level 2*
Provisions and other liab.	215	215		31	31	
Non-current liabilities	**33,056**	**32,682**		**70,615**	**69,574**	
Trade payables	615,512	615,512	*level 2*	522,436	522,436	*level 2*
Short-term financial liab.	151,885	151,603	*level 2*	29,314	30,004	*level 2*
Financial derivatives	483	483	*level 2*	195	195	*level 2*
Debts for investments in subsidiaries	4,718	4,718	*level 3*	-	-	*level 2*
Associates liabilities	*5*	*5*	*level 2*	*5*	*5*	*level 2*
Social security liabilities	*4,379*	*4,379*	*level 2*	*3,007*	*3,007*	*level 2*
Payables to others	*12,458*	*12,458*	*level 2*	*13,779*	*13,779*	*level 2*
Accroued exp. (insurance)	*360*	*360*	*level 2*	*255*	*255*	*level 2*
Provisions and other liab.	17,202	17,202		17,046	17,046	
Current liabilities	**789,800**	**789,518**		**568,991**	**569,681**	

Given their short-term maturity, the gross carrying value of current assets (excluding derivatives if any), trade payables, short-term financial liabilities and other payables (excluding liabilities for monetary incentives), is deemed a reasonable approximation of their 'fair value' (classified in level 2 in the so called 'fair value hierarchy').

The 'fair value' of non-current assets and borrowings was estimated by discounting expected cash flows from principal and interest, according to the terms and the due dates of each agreement, and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The 'fair value' of "Interest Rate Swap" (IRS) derivatives was estimated by discounting expected cash flows, according to the terms and the due dates of each derivative agreement and its underlying,

and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The interest rates used were obtained from the 'Forward' and the 'Spot' Curve Euro at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2.
The soundness of the measurement made, with reference to IRS - Interest Rate Swap, was confirmed by the comparison with the value provided by the issuer banks.

Non-current debt for investments in subsidiaries shows the present value of the enterprise value of the residual 20% share in Celly S.p.A., measured using the free-risk rate at 31 December 2016. This debt was adjusted in order to take into account the remaining time until the first available exercise date of the option (falling on 12 May 2019). The current debt for investment in subsidiaries represents the present value of the share of income that the management estimated to be realisable in the first 12 months by the companies that acquired the business units 'VAD' from Itway group that will be due to the latter, calculated in the same way of above. At the date this report was drafted, this debt, based on the available information and management forecast, represents a 100% achievement of targets set by the earn-out clause.
The fair values so measured correspond to a level 3 in the fair value hierarchy being based also on management estimates about future financial performance of the subsidiaries. Further details can be found in the paragraph 'Goodwill' in the Notes to the Consolidated Financial Statement.

As shown in the preceding tables, no reclassifications among hierarchic levels were made. Please refer to the paragraph 'Derivatives analysis' for information relating to existing derivative instruments.

Disclosures regarding net gains or net losses, interest income and interest expenses, fee income and expenses arising from financial instruments have been already given in the table dedicated to finance costs under '42) Finance costs'.

Please note that general and administrative expenses include 1.5 million euro (0.1 million euro in 2015) relating to bad debt allowances on the basis of analyses of each single debtor's solvency.

4.3 Additional information about financial assets

As during the previous year, no reclassification of a financial asset as one measured at cost or amortised cost, rather than at fair value, and vice versa, was made (the initial recognition of a financial instrument at fair value and the subsequent measurement at cost or amortised cost for some specified financial assets not detecting at this end).

As highlighted in the section 'Trade and other receivables' in the paragraph 'Summary of significant valuation criteria and accounting policies', in the case of impairment by credit losses, the value of receivables is adjusted.
This operation is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
In the year closed at 31 December 2016, as in the previous one, it was used solely in the case of trade receivables, since it was not deemed necessary in the case of other financial assets.
The following table illustrates the above-mentioned movements of trade receivables bad debt provision during the year:

(euro/000)	Starting provision	Additions	Uses	Acquisitions	Disposals	Final provision
2016 financial year	5,765	1,460	(1,628)	1,580	-	7,177
2015 financial year	7,431	475	(2,141)	-	-	5,765

The Group usually transfers financial assets. These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.
During 2016, the securitisation plan structured by UniCredit Bank AG was continued, under which trade receivables are assigned without recourse on a revolving basis to a "special purpose vehicle" under Law no. 130/99.
In the case of transfers of receivables for without-recourse factoring and advances under usual reserves, this operation not qualifying for derecognition, the Group continues to recognise all of these assets, the carrying amount of which continues to appear in the statement of financial position, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.
As at 31 December 2016 the with-recourse sold receivables which obtained advances under usual reserves amounted to 2.4 million euro (1.8 million euro at 31 December 2015); the same kind of advances (under usual reserves) about effects amounted to 1.2 million euro (equal to December 2015 value).

The financial assets' gross book value is the Group's maximum exposure to credit risk.

The following tables show an analysis of the status of trade receivables and the ageing of those not overdue and not impaired by credit losses:

(euro/000)	31/12/2016	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	395,849	10,689	59,484	325,676
Bad debt provision	(7,177)	(7,177)	-	-
Net trade receivables	**388,672**	**3,512**	**59,484**	**325,676**

(euro/000)	31/12/2015	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	257,258	7,333	38,952	210,973
Bad debt provision	(5,765)	(5,765)	-	-
Net trade receivables	**251,493**	**1,568**	**38,952**	**210,973**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receiv. past due not impaired at 31/12/2016	59,484	204	2,176	3,038	54,066
Receiv. past due not impaired at 31/12/2015	38,952	1,584	1,147	2,887	33,334

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, the Group does not believe that premises for allocating provisions for doubtful receivables for amounts not yet overdue exist.
There are no financial assets which would otherwise be past due or impaired whose terms have been re-negotiated, except for some re-entry plans agreed with customers for not-material amounts.

The following instruments are usually used by the Group to limit its credit risk (the percentages refer to trade receivables at 31 December 2016):

- traditional credit insurance (covering approx. 90% of the face value of the insured receivables provided they are within the limit of the credit line given by the insurance company) covering approx. 50% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 10% of the receivables (the amount refers to receivables existing at the closing date of the financial year but subject to revolving credit at the times and with the methods of the schemes);
- real guarantees (bank guarantees and asset mortgagees) in the case of approx. 2% of total gross amount of trade receivables;

No financial or non-financial assets were obtained by the Group during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees). Nor did the Group hold collateral (of financial or non-financial assets) it was permitted to sell or re-pledge in the absence of default by the owner of the collateral.
No other financial assets regulated by IFRS 7 have been impaired in the current or in the previous year. The two tables below illustrate their status and the ageing of those not overdue and not impaired by credit losses:

	31/12/2016				31/12/2015			
(euro/000)	Carrying amount	Receiv. impaired	Receiv. past due not impaired	Receiv. not past due not impaired	Carrying amount	Receiv. impaired	Receiv. past due not impaired	Receiv. not past due not impaired
Customer financial receiv.	*2,292*			*2,292*	*2,696*			*2,696*
Guarantee deposits	*3,027*			*3,027*	*3,040*			*3,040*
Other non-current assets	5,319			5,319	5,736			5,736
Non-current assets	**5,319**	**-**	**-**	**5,319**	**5,736**	**-**	**-**	**5,736**
Receivables from asscociat.	*6*		*6*		*164*		*164*	
Receivables from factors	*1,492*		*(11)*	*1,503*	*2,714*		*1,223*	*1,491*
Customer financial receiv.	*509*			*509*	*507*			*507*
Customer financial receiv.	*5,087*			*5,087*	*-*			*-*
Receivables from insurances	*1,881*		*1,684*	*197*	*1,863*		*1,863*	
Receivables from employees	*2*			*2*	*150*			*150*
Receivables from others	*196*		*90*	*106*	*173*		*120*	*53*
Other receivables	9,173		1,769	7,404	5,571		3,370	2,201
Cash and cash equivalents	285,933		285,933		280,089		280,089	
Current assets	**295,106**	**-**	**287,702**	**7,404**	**285,660**	**-**	**283,459**	**2,201**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receivables from associat.	6	6	-	-	-
Receivables from factoring companies	(11)	-	-	-	(11)
Receivables from insurance companies	1,684	1,551	15	88	30
Receivables from others	90	90	-	-	-
Receiv. past due not impaired at 31/12/2016	**1,769**	**1,647**	**15**	**88**	**19**
Receivables from associat.	164	134	14	-	16
Receivables from factoring companies	1,223	27	-	-	1,196
Receivables from insurance companies	1,863	1,519	133	164	47
Receivables from others	120	120	-	-	-
Receiv. past due not impaired at 31/12/2015	**3,370**	**1,800**	**147**	**164**	**1,259**

Receivables from factoring companies relate wholly to 'without-recourse' factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies.
The past due quota relates to sums due at the closing date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Group companies. It should be noted, however, that these receivables had also almost completely been paid by the time this report was drawn up as the deadlines were met.

4.4 Additional information about financial liabilities

Amounts detailed in the following maturity analysis are the contractual undiscounted cash flows, including interests to be paid and excluding the effects of netting agreements:

(euro/000)	Carrying amount 31/12/2016	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	28,833	29,797	121	19	18,037	11,620	-
Derivative financial liabilities	66	43	-	-	39	4	-
Debts for investments in subsidiaries	3,942	3,925	-	-	-	3,925	-
Cash incentive liabilities	*215*	*31*	-	-	*31*	-	-
Provisions and other non-corr. liabilities	215	31	-	-	31	-	-
Non-current liabilities	**33,056**	**33,796**	**121**	**19**	**18,107**	**15,549**	**-**
Trade payables	615,512	686,189	621,908	6,395	11,869	31,576	14,441
Short-term financial liabilities	151,885	153,619	144,573	9,046	-	-	-
Derivative financial liabilities	483	549	507	42	-	-	-
Debts for investments in subsidiaries	4,718	-	-	-	-	-	-
Payables to assoc. and subsidiaries	*5*	*5*	*5*	-	-	-	-
Social security liabilities	*4,379*	*4,379*	*4,379*	-	-	-	-
Payables to others	*12,458*	*12,458*	*12,458*	-	-	-	-
Accrued expenses (insurance)	*360*	*360*	*360*	-	-	-	-
Provisions and other liabilities	17,202	17,202	17,202	-	-	-	-
Current liabilites	**789,800**	**857,559**	**784,190**	**15,483**	**11,869**	**31,576**	**14,441**

(euro/000)	Carrying amount 31/12/2015	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Borrowings	65,138	69,664	690	548	18,931	48,460	1,035
Derivative financial liabilities	224	240	-	-	160	80	-
Debts for investments in subsidiaries	5,222	5,312	-	-	-	5,312	-
Cash incentive liabilities	*31*	*31*	-	-	-	*31*	-
Provisions and other non-corr. liabilities	31	31	-	-	-	31	-
Non-current liabilities	**70,615**	**75,247**	**690**	**548**	**19,091**	**53,883**	**1,035**
Trade payables	522,436	576,865	527,380	4,943	9,271	25,218	10,053
Short-term financial liabilities	29,314	29,186	20,404	8,782	-	-	-
Derivative financial liabilities	195	201	100	101	-	-	-
Payables to assoc. and subsidiaries	*5*	*5*	*5*	-	-	-	-
Social security liabilities	*3,007*	*3,007*	*3,007*	-	-	-	-
Payables to others	*13,779*	*13,779*	*13,779*	-	-	-	-
Accrued expenses (insurance)	*255*	*255*	*255*	-	-	-	-
Provisions and other liabilities	17,046	17,046	17,046	-	-	-	-
Current liabilites	**568,991**	**623,298**	**564,930**	**13,826**	**9,271**	**25,218**	**10,053**

The above tables can be understood more easily if the following are considered:

- when a counter-party has a choice of when an amount is paid, the liability has been included on the basis of the earliest date on which the Group can be required to pay;

- the amounts shown relate to contractual undiscounted cash flows gross of interests to be paid;
- the amount of floating rate loans payable has been estimated by reference to the conditions existing at the reporting date (i.e. the interest rate curve at the end of the year).

The Group companies maintain medium-short term loan contracts, that contain standard acceleration clauses in case certain financial covenants are not met when checked against data from the consolidated and audited financial statements.
At 31 December 2016 according to the management estimates (to be checked against the consolidated and audited financial statements), two covenants referring to two loans with total residual 58.8 million euro in principal, taken by Esprinet S.p.A. were not met. Thus, pursuant to accounting standards, those liabilities are booked in current financial debts and the relevant contractual cash flows are assumed to take place within 6 month after the financial statements date.
As better detailed in the paragraph named 'Subsequent events' in the Directors' Report on Operations, on 28 February 2017 the Term Loan Facility (one of the the abovementioned loans) of 48.8 million residual principal was entirely repaid when a new agreement was signed with a pool of banks (comprising 6 of the 8 lenders under the previous loan) for an amount up to 210.0 million euro aimed, among other things, at the repayment of the existing loan.
The lending banks had unanimously granted a waiver relating to this loan in July 2016 after the 40 million euro threshold in extraordinary transactions was exceeded, without formalising a prior consent by the 2/3 majority of them.
With respect to the other loan, a waiver will be formally requested to the granting institute, since it belongs to both the new and the old pool of banks.
Apart from 31 December 2007 and 30 June 2008 when, even if with no consequences for the Group, one covenant referred to the loan whose reimbursement ended in July 2014 (as stated in the agreement) was broken, the Group has never been in a condition of default regarding principal, interest, sinking fund or redemption terms of passive loans.

For further information please refer to the next paragraph 'Loans and loan covenants'.

The Group also has other minor loans (more details can be found in the paragraph 'Loans and loan covenants'), as well as a loan due in January 2022, with a remaining value as notional of 2.7 million euro and registered as 2.6 million euro by effect of the amortising costs accounting method, achieved in December 2013 under the contractual terms of payment from the Public Administration for the supply of personal computers to the same by the Parent Company.
The issuing bank was granted by the Group an irrevocable collection derogation for multi-year contribution's collection due from the Public Administration and equal, in both the amounting and due dates, to the reimbursement loan plan that, for the above mentioned reason, do not contains dealings for a possible shirk benefitting from the reimbursement terms.

Up to now the Group has not issued any instruments containing both a liability and an equity component.

4.5 Hedge accounting

Introduction

The Esprinet Group signs derivative contracts in order to hedge some loan agreements against fluctuating interest rates by means of a strategy of cash flow hedge.
The aim of these hedging transactions against the interest rate risk is to fix the funding cost of middle/long-term floating-rate loans by entering into a derivative contract that enables the Group the floating rate to be received and the fixed rate to be paid.
Hedging operations are therefore reported in the financial statements according to the instructions of the IAS 39 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Group periodically carry out perspective and retrospective tests.

Derivative instruments as at balance sheet date

As at the balance sheet date the Group is using various IRS (Interest Rate Swap) contracts with different notional amounts and fixed interest rate (hedging instruments), signed by....

IRS (Interest Rate Swap) contracts underwritten by Esprinet S.p.A. have different notional amounts and fixed interest rate but identical conditions (hedging instruments) and were entered with each of the eight banks that on 31 July 2014 granted the medium-term variable interest rate loan of 65 million euro, called Term Loan Facility.
Each financing counterparties signed the derivative proportionally to their respective share in the loan, which the derivative is intended to hedge by means of their receiving a variable interest rate against payment of a fixed interest rate.

The main features of the eight contracts signed by the Company are summarized below:

Trade date	22 December 2014
Effective date	30 January 2015
Termination date	31 July 2019
Notional amount	65.0 million euro (subject to an amortisation plan); totally 48.8 million euro as at 31 December 2016
Fixed rate	From 0.33% to 0.37%, act/36
Fixed and floating rates payment dates	Every 31 January and 31 July starting from 31 July 2015 up to 31 July 2019, subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Intesa Sanpaolo S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., UBI Banca - Società Cooperativa per Azioni, Banco Popolare – Società Cooperativa, Caixabank S.A., Cassa di Risparmio di Parma e Piacenza S.p.A., each for its own contract.

The main features of the eight contracts signed by Vinzeo Technologies S.A.U. are summarized below:

Trade date	between June 2014 and January 2016
Termination date	between June 2017 and December 2019
Notional amount	35.0 million euro (subject to an amortisation plan); totally 22.3 million euro as at 31 December 2016
Fixed rate	From 0.33% to 0.68%, act/360 or act/365
Fixed rate payer	Vinzeo Technologies S.A.U.
Floating rate	Euribor 3M, Euribor 6M, Euribor 12M, act/360 or act/365, fixed two days before the interest calculation period
Floating rate payer	Banco Bilbao Vizcaya Argentaria S.A., Banco Santander S.A., Caixabank S.A., Deutsche Bank AG, Kutxabank S.A. each for its own contract.

At 31 December 2016, according to management estimates, two covenants referring to the Term Loan Facility signed by Esprinet S.p.A., whose cash flows are covered by the 8 abovementioned derivatives, were not met. Consequently, pursuant to the accounting standards and management's willingness to replace the hedged loan resulting in the termination of existing derivatives and to underwrite new interest hedging contracts, the liability representing the fair values of derivatives was entirely booked under current financial liabilities together with the amount of the hedged loan.

Since, from the signing or acquisition date, each IRS contract has been fully compliant with International Accounting Standard 39 regarding 'hedge accounting' (formal designation and documentation of the hedging relationship; hedge to be documented , highly effective and reliably measured) all derivative contracts were subject to the 'cash flow hedge' accounting rule. This requires the contract fair value to be recognised directly in equity (and shown, consequently, in the statement of comprehensive income), at the contract signing date with the regard to the ineffective portion.

Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Information regarding derivative contracts existing during the year

The next tables illustrate the following information regarding the derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 31 December 2016 and 2015 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position as at 31 December 2016 and 2015 representing the 'fair value' of the contracts if hedging is 'highly 'effective';
- the change in fair value from the inception date to the financial statement closing date;
- the ineffective portion recognised or reversed in income statement under 'Finance costs' from the inception with reference to the instalments still outstanding at the same date.

	Financial Year	Notional amount		Fair value [1]	Income statement [2]	Taxes on FV contracts [3]	Retained earnings [4]
		Within 1 year	Beyond 1 year				
Interest rate risk management							
- Esprinet cash flow hedge on derivatives	2016	48.750	-	428	114	(75)	(239)
- Vinzeo cash flow hedge on derivatives	2016	14.442	7.891	121	85	30	(66)
- Esprinet cash flow hedge on derivatives	2015	16.250	48.750	419	84	(92)	(243)

[1] Amount of the (assets)/liabilities recorded in the statement of financial position resulting from derivatives measured at fair value using cash flow hedge accounting technique.
[2] Ineffective portion of the gain or loss on the hedging instrument as per IAS 39.
[3] Deferred income taxes related to the fair value of the derivative contracts using cash flow hedge accounting technique.
[4] Cumulative change in fair value from inception to the statement of financial position date recognised in equity using cash flow hedge accounting technique.

The events that caused the changes in the amount of the 'cash flow hedge' equity reserve during the first half are so detailed:

	2016					
(euro/'000)	Change in fair value of derivatives	Transfer to P&L [1]	Taxes effect on P&L	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet cash flow hedge on derivatives	(204)	225	(67)	-	50	4
- Vinzeo cash flow hedge on derivatives	16	92	(23)	-	(4)	81
Total	**(188)**	**317**	**(90)**	**-**	**46**	**85**

[1] Accounted as increase / (decrease) of 'Financial charges'.

	2015					
(euro/'000)	Change in fair value of derivatives	Transfer to P&L [1]	Taxes effect on P&L	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
- Esprinet cash flow hedge on derivatives	(260)	103	(28)	-	71	(114)
- Vinzeo cash flow hedge on derivatives	-	-	-	-	-	-
Totale	**(260)**	**103**	**(28)**	**-**	**71**	**(114)**

[1] Accounted as increase / (decrease) of 'Financial charges'.

The following are the periods when the cash flows relating to the hedged items are expected to occur and when they are expected to affect the Income Statement:

(euro/000)			Expected cash flow	0-6 months	6-12 months	1-2 years	2-5 years	After 5 years
Loans:	31/12/2016	Cash flow	2,364	2,109	120	122	13	-
		Impact on P&L	340	164	97	69	10	-
	31/12/2015	Cash flow	3,422	755	647	1,026	994	-
		Impact on P&L	2,787	659	580	868	680	-

Finally, the derivative instrument changes referring to the fair value variations recorded in the Income Statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1]	Rates past due	Variation FV rates not past due	FV 31/12/c.y.[2]
Esprinet derivatives	2016	n.a.	n.a.	n.a.	n.a.
Vinzeo derivatives	2016	n.a.	n.a.	n.a.	n.a.
Total		-	-	-	-
Esprinet derivatives	2015	n.a.	n.a.	n.a.	n.a.
Vinzeo derivatives	2015	n.a.	n.a.	n.a.	n.a.
Total		-	-	-	-

(1) Previous year
(2) Current year

4.6 Non-hedging derivatives

Within the business combination of Vinzeo Technologies S.A.U., two Interest Rate Cap contracts were acquired which provide for that the company receives the spread in relation to the agreed cap from the banking counterparty if 3-month Euribor exceed set maximum threshold.
These instruments are intended to cover all short-term facilities against fluctuating interest rates by means of a strategy of cash flow hedge.
Since the derivatives are long-term (both maturing in July 2020), and intended to cover against fluctuating interest rates with respect to debts with various terms that are undetermined and depending on their usage, they do not satisfy conditions for hedge accounting. Thus all fair value changes, together with any cash inflows from the counterparties, are booked directly in the income statement.

The derivative instrument changes referring to the fair value variations recorded in the Income Statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1, 2]	Income	Variation FV	FV 31/12/c.y. [2, 3]
Interest Rate Cap	2016	(41)	-	3	(38)
Interest Rate Cap	2015	n.a.	n.a.	n.a.	n.a.
Totale		**(41)**	**-**	**3**	**(38)**

(1) Previous year that, in reference to the year 2016 it means 1 July 2016, the date of Vinzeo Technologies S.A.U. business combination
(2) (Assets)/liabilities.
(3) Current year.

4.7 Sensitivity analyses

Since the Group is exposed to a limited currency risk it has decided not to effect sensitivity analyses regarding this type of risk (for more details see section 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Director's Report on Operations').

A sensitivity analysis regarding the interest rate risk was performed in order to show how profit or loss and equity would have been affected by changes in the interest rate curve that were reasonably possible during the period. For these purposes, the 2016 market interest rate trend was taken into account together with the Group's estimates on rates in the immediate future and a forward shifting of spot/forward interest rate curves +/-100 basis points was simulated.

The following tables show the results of the simulation (net of tax effects); each item includes both the current and non current portion:

Scenario 1: +100 basis points

	31/12/2016		31/12/2015	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Cash and cash equivalents	892	892	529	529
Debts for investments in subsidiaries	63	63	124	124
Financial liabilities [1]	968	968	(397)	(397)
Derivative financial liabilities	489	-	804	-
Total	**2,412**	**1,923**	**1,060**	**256**

[1] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

Scenario 2: -100 basis points

	31/12/2016		31/12/2015	
(euro/000)	**Net equity**	**Profit/(loss)**	**Net equity**	**Profit/(loss)**
Cash and cash equivalents	(112)	(112)	(243)	(243)
Debts for investments in subsidiaries	(65)	(65)	(65)	(65)
Financial liabilities [1]	291	291	205	205
Derivative financial liabilities	(600)	-	(73)	-
Total	**(486)**	**114**	**(176)**	**(103)**

[1] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

5. Notes to statement of financial position items

Non-current assets

1) Tangible assets

Property, plant and equipment amount to 15.3 million euro as at 31 December 2016 (versus the 12.1 million euro as at 31 December 2015). Changes occurring during the year are as follows:

(euro/000)	Plant and machinery	Ind. & Comm. Equipment & other assets	Assets under construction & advances	Total
Historical cost	11,697	24,647	491	**36,835**
Accumulated depreciation	(8,595)	(16,110)	-	**(24,704)**
Balance at 31 December 2015	**3,102**	**8,537**	**491**	**12,130**
Business combination acquisition - historical cost	**965**	**1,995**	**-**	**2,960**
Business combination acquisition - accumulated depreciation	**(702)**	**(1,691)**	**-**	**(2,393)**
Historical cost increase	1,065	2,603	2,436	**6,104**
Historical cost decrease	(32)	(1,223)	(10)	**(1,265)**
Historical cost reclassification	132	344	(476)	**-**
Svalutazioni	(4)	-	-	**(4)**
Increase in accumulated depreciation	(881)	(2,537)	-	**(3,419)**
Decrease in accumulated depreciation	20	1,151	-	**1,171**
Total changes	**301**	**337**	**1,950**	**2,587**
Historical cost	13,827	28,365	2,441	44,632
Accumulated depreciation	(10,161)	(19,187)	-	(29,348)
Balance at 31 December 2016	**3,666**	**9,178**	**2,441**	**15,284**

In 2016, the investments in 'plant and machinery' mainly refer to new assets acquisition by the parent company Esprinet S.p.A. and by the subsidiary Esprinet Iberica S.L.U. due to enlargement/building of the new logistic hub in Cavenago and Saragoza respectively.

Investments in 'Industrial & commercial equipment & other assets' refer to 1.6 million euro purchase of electronic office machinery by the parent company Esprinet S.p.A. and to 0.9 million euro to both new equipments for the new warehouse in Saragoza and office machinery by the subsidiary Esprinet Iberica S.L.U..

Investments in assets under construction, totalling 2.4 million euro, refer for 0.2 million euro to Esprinet Iberica works already performed but not yet completed as at 31 December 2016 relating to the new warehouse in Saragoza and for 2.1 million euro to both new asset acquisition and works on assets not yet operating mainly for the logistic site enlargement of Cavenago by the parent company Esprinet S.p.A..

The item 'Business combination acquisition', equal to 0.2 million euro, refers to the contributions generated by the first consolidation of EDSlan S.r.l. on 8 April 2016 (0.1 million euro) as well as of Vinzeo Technologies S.A.U. on 1 July 2016 (0.5 million euro).

There are no other temporarily unused tangible fixed assets intended for sale.

The depreciation rates applied to each asset category are unchanged relative to the fiscal year closed at 31 December 2016.

The following is the breakdown of the item 'Industrial and commercial equipment and other assets':

(euro/000)	31/12/2016	31/12/2015	Var.
Vehicles	19	-	19
Electronic machines	4,384	3,998	386
Furniture and fittings	2,392	2,885	(493)
Industrial and commercial equipment	1,269	607	662
Other assets	1,113	1,047	66
Total	**9,177**	**8,537**	**640**

2) Goodwill

(euro/000)	31/12/2016	31/12/2015	Var.
Goodwill	91,189	75,246	15,943

All goodwill items identify the excess of the price paid for obtaining the control of another business over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Disclosures regarding impairment tests of assets: goodwill

Scope of application

IAS 36 requires the testing of property, plant and equipment and intangible assets with indefinite useful life for impairment whenever there are indications that such an impairment may have occurred.
In the case of goodwill and other intangible assets with an indefinite useful life, this test, so-called 'impairment test', must be carried out at least annually and whenever 'triggering events' occur, i.e. extraordinary negative events implying the asset may be impaired.

Goodwill does not generate cash flows independently of other assets or group of assets so, in compliance with IFRS, it is not an 'individual asset' and may not be tested for impairment separately from the group of assets it relates to.
Thus, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's 'CGU - Cash-Generating Units', or groups of CGUs that must not to be larger than an operating segment determined in accordance with IFRS 8.

Cash Generating Unit: identification and goodwill allocation

The next table summarises the values of the single goodwill items in terms of the business combinations from which they arose and a summary by company:

(euro/000)	Entity	Goodwill original values
Memory Set S.a.u. e UMD S.a.u.	Esprinet Iberica	58,561
Esprinet Iberica S.l.u.[1]	Esprinet Iberica	1,040
Assotrade S.p.A.	Esprinet S.p.A.	5,500
Pisani S.p.A.	Esprinet S.p.A.	3,878
Esprilog S.r.l.	Esprinet S.p.A.	2,115
80% Celly S.p.A.	Celly S.p.A.	4,153
Vinzeo S.a.u.	Esprinet Iberica	5,097
V-Valley Iberian S.l.u.	Esprinet Iberica	3,600
Mosaico S.r.l.	Esprinet S.p.A.	7,245
Total by business combination		**91,189**
Esprinet Iberica S.L.U.		68,298
Esprinet S.p.A.		18,738
Celly S.p.A.		4,153
Total by entity		**91,189**

[1] Transaction costs sustained for the UMD and Memory Set business combinations.

Allocation of goodwill to each CGUs, identified as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group, was made by charging the above mentioned goodwill to the relevant CGUs, that is, to the elementary units which received the businesses purchased in strictly operational terms.

The following table summarises the goodwill allocations to the 3 CGUs, highlighting the relationships between the operating segments and the legal entities which form the Group, as well as the changes occurred in the year:

(euro/000)	31/12/2016	31/12/2015	Var.		
Esprinet S.p.A.	18,738	11,492	7,246	CGU 1	B2B distribution of Information Technology and Consumer Electronics (Italy)
Celly S.p.A.	4,153	4,153	-	CGU 2	B2C phone accessoires (Italy)
Esprinet Iberica S.l.u.	68,298	59,601	8,697	CGU 3	B2B distribution of Information Technology and Consumer Electronics (Spain)
Total	**91,189**	**75,246**	**15,943**		

This allocation reflects the organizational and business structure of the Group, who operates in the core business of IT business-to-business distribution (i.e. exclusively for business customers made up of resellers, who in turn refer to end-users, both private and company) in two geographical markets, Italy and Iberian Peninsula. These markets are managed by two substantially independent organisational and operating structures and, on the other hand, a 'corporate' structure where coordination and strategy are centralized for almost all activities that contribute to the reseller 'value chain' (sales, purchasing, product marketing, logistics).
Compared to the operating segments identified for the purposes of Segment Information as required by IFRS, the subsidiary Celly S.p.A., being able to generate independent cash flows, was identified as a separate CGU operating in the segment of production and distribution of accessories for mobile phones.

As at 31 December 2016 Goodwill value increased compared to 31 December 2015 as a consequence of the Group acquisitions occurred during the year.

The impairment test valuation process and the results on 31 December 2016 goodwill items as previously explained are below described.

A) Valuation system

The valuation framework and the methodological structure adopted are summarised below:

The extreme rarefaction of the comparable market transactions and, for the few concluded deals, the low quantity of usable published information, make difficult the identification of implicit multiples applicable for the calculation purposes of a reasonably reliable 'fair value'.
Recoverability of goodwill is tested by comparing the carrying amount of each single CGU to which the goodwill has been allocated, with the recoverable amount of the unit in the meaning of 'value in use'.
The latter is the present value, at the date of the test, of the future cash flows (inflows and outflows) expected to be derived from the continuing use of assets which are part of the tested CGU.
The 'value in use' was estimated using the Discounted Cash Flow (DCF) model, which requires an appropriate discount rate to estimate the discounting back of future cash flows.
An 'asset side' approach was used which presupposes discounting unlevered cash flows generated by operations.
These cash flows were calculated net of 'figurative income taxes' measured by applying an estimated tax rate to the operating income (EBIT).
In the case of the Spanish CGU 3, the estimated effective and nominal tax rates match (in 2016 equal to 25%). In the case of the Italian CGU 1 and CGU 2, the effective tax rates calculated as per Italian tax law and deriving from the calculation of the IRES and IRAP tax rates on their different tax bases were applied, taking into account the different structure of the tax bases and, in particular, the non-deductibility of some relevant costs.

Disclosures required by the international accounting principles regarding the main methods chosen when calculating the recoverable amount are as follows.

Basis for estimates of future cash flows

As required by the IAS 36 accounting principle, paragraph 50, estimated cash flows exclude financial charges, as per the 'asset side' approach already described.
Projections based on forecasts cover a 5-year period, from 2017 to 2021.
The discount rate includes the effect of price increases attributable to general inflation so future cash flows are estimated in nominal terms.

Projection method

Future cash flows have been estimated for each CGU in its current condition which means not including estimates of future cash inflows that are expected to arise from the business combination, or from improving or enhancing its performance, or from extraordinary operations representing a discontinuity compared with this status.
The definition of forecasted plans and of the resulting cash flows took into account each CUG's peculiarity, therefore basing the whole on the so called 'unique scenario'. The latter was identified as the 'normal' cash flow, or rather, taken as the one with the highest degree of probability of occurrence (so called 'probabilistic approach').
The operating sustainability of the plans in terms of the 'entrepreneurial model' used, and of the business size, and therefore also the plans financial sustainability, was assessed by taking into account the value drivers of each CGUs as well as the Group financial capability.
The latter has been considered as appropriate, also taking into account both the low investments level necessary for each CGU activities substantially limited to maintenance levels, and the liquidity risk management strategy. This risk is essentially managed by the preservation of a substantial number of non-used credit lines, mainly of self-liquidating nature, as well as by a conservative

financial strategy focused on stable financial sources – i.e. middle term borrowings supported by financial covenants with which the Group is constantly provided – also for working capital purposes.
The Board of Directors' Meeting on 21 March 2017 approved the forecasted plans arising from the analytical budget of 2017, considered a 'pivot' year. These plans were drawn up thanks to forecasting techniques useful both for a separate management of fixed and variables costs, and for defining the revenues and product gross margin trend. This was done utilising a 'benchmarking' of the sector trends and of the end market in its entirety, as evaluated by reliable external sources, as well as assuming, for each CGU, different trends according to the current and prospective competitive position.

Flows discounted or weighted for probability

Future cash flows have been estimated for each CGU following the 'traditional approach'. This hinges on the so called 'unique scenario' defined as the 'normal' flow profile in which accounting applications of present value have used a single set of estimated cash flows and a single discount rate, both assumed as those with the highest degree of probability of occurrence (so said 'probabilistic approach').

Terminal value

The terminal value recorded at the end of the forecast period was calculated using the 'Perpetuity Method' (unlimited capitalisation model of the plan last year's cash flow).
The approach used presumes that at the end of the 5th year on, cash flow will grow at a constant rate of 'g' and therefore the terminal value is calculated as perpetual income by means of the capitalisation of the plan's last flow at a rate corresponding to the discounting back rate used (WACC) adjusted by a growth factor presumed stable.
The forecast for this factor are 1.20% for Italy and 1.56% for Iberica respectively, as per International Monetary Fund's expectations about inflation rate in Italy and Spain in 2021.

Discount rate

The discount rate used must be that of the return required by the suppliers of both risk and debt capital and takes into account risks specific to the activities relating to each single CGU.
As a consequence, a Weighted Average Cost of Capital ('WACC') notion has been used, whose cost of the risk capital has been measured using a Capital Asset Pricing Model ('CAPM') approach.
In particular, in order to calculate the cost of the risk capital (Ke), the average unlevered Beta was measured on a sample of comparable companies with international operations listed in official markets and later it was re-levered in terms of a 'target' financial structure for each CGU, in hypothesis similar to the average financial structure of the different panels analysed.
So doing the independence of the discount rate from the actual financial structure has been obtained.
The panel of comparable entities is made up of the followings:

CGU1/2/3 (Distr B2B IT&CE in Italy/Spain)
Action S.A.
ALSO Holding AG
Arrow Electronics, Inc.
Avnet, Inc.
Esprinet S.p.A.
SYNNEX Corporation
AB S.A.
Tech Data Corporation
Digital China Holdings Limited
ABC Data S.A.
Redington (India) Limited
Datatec Limited

The values attributed to the main components of each discount rate per single CGU are as follows:

- the risk-free rate used is the 10-year BTP 'benchmark' (1 year average) rate of return in 2016, equal to 1.46% for CGUs 1 and 2, and the 10-year Bonos 'benchmark' (1 year average) rate of return in 2016, equal to 1.39% for CGU 3;

- the Equity risk premium is 5.5% (source: Ibbotson et alter);

- the marginal cost of borrowed capital (Kd) was approximated by adding to the free-risk rate the median credit spread of peer groups (Source: Damodaran Jan 2017) based on their credit rating issued by S&P; the above mentioned rate is considered representative of the cost applied both to Esprinet and to each CGU in cases of the issue of debt instruments on the market.

Please note that, in compliance with IAS 36 (A20) provisions that require a discount rate used to be a pre-tax rate, the post-tax version CAPM-calculated WACC was adjusted into the pre-tax equivalent defined as pre-tax WACC which leads to the same result when discounting back pre-tax cash flows.

B) Basic assumption / critical variables

The following table describes the main basic assumptions used to calculate the recoverable value for each CGU with reference to the technical methods underlying the 'DCF Model'.

	Italy IT&CE "B2B" CGU 1 Esprinet	Italy IT&CE "B2B" CGU 2 Celly	Spain IT&CE "B2B" CGU 3 Esprinet Iberica
Future cash flow expected:			
Forecast horizon	5 years	5 years	5 years
'g' (long-term growth rate)	1.20%	1.20%	1.56%
Discount rates:			
Equity Risk Premium	5.5%	5.5%	5.5%
ß "unlevered" of industry	0.74	0.74	0.74
Target financial structure (D/D+E)	22.1%	22.1%	22.1%
Target financial structure (E/D+E)	77.9%	77.9%	77.9%
WACC post-tax	6.01%	6.01%	5.94%
WACC pre-tax	7.89%	7.85%	7.38%

With reference to the key assumptions used in the cash flow forecast and for the 'value in use calculation' we point out that the CGU values are particularly sensitive to the following parameters:

- Basic assumption / critical variables
- gross product margin / fixed costs contribution margin
- operating leverage
- cash flow discounted rate
- growth rate 'g' applied to the cash flow of the last defined year utilized for the Terminal Value calculation.

C) External indicators of loss of values and 'impairment test'

The management, in order to review the impairment indicators, takes into account, amongst other factors, (i) market rate growth or other rates of cost of capital return (ii) the ratio between the book value total net asset of the CGU and the relative market capitalisation.

With reference to the first point during the year no variation in the market rates, that were likely to affect significantly the discount rate used in calculating the asset's value in use or decrease the asset's recoverable amount materially, was observed.
With reference to the market value, as at 31 December 2016 the Group Esprinet market capitalisation was equal to 371.02 million euro compared to the consolidation net equity value equal to 317.96 million euro. The latter further confirms the positive results of the goodwill impairment test.

D) Value adjustments and 'sensitivity analysis

The impairment test did not highlight the need for a write-down in the value of the goodwill entry as at 31 December 2016.

In addition, the management believes there are no reasons to foresee key assumption changes able to generate an impairment of the CGUs below the carrying amount.
In that regard, for information purposes, pursuant to IAS 36, different sensitivity analysis of the test results were performed taking into account simultaneously the variation of the following basic assumptions.

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discounted rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:

- 'g' equal to 0% and lower than -50%;
- WACC higher than +2% and +1%;
- EBITDA lower than -10% and -20%.

In none of the scenarios arising from the different combination of key assumptions as shown before, including the worst scenario resulting from a g equal to 0%, a WACC increased by +2% and an EBITDA decreased by -20%, any CGU impairment would occur.

3) <u>Intangible assets</u>

Intangible assets amount to 1.5 million euro at 31 December 2016 versus the 664 thousand euro at 31 December 2015. The following table highlights the changes occurred during the year:

(euro/000)	Cost and expansion	Industrial and other patent rights	Licences, concessions, brand names and similar rights	Assets under construction and advances	Total
Historical cost	3	8,318	19	-	**8,340**
Accumulated depreciation	(3)	(7,664)	(10)	-	**(7,677)**
Balance at 31 December 2015	**-**	**654**	**10**	**-**	**664**
Business combination acquisition - historical cost	**-**	**1,541**	**11**	**-**	**1,552**
Business combination acquisition - accumulated depreciation	**-**	**(1,299)**	**(11)**	**-**	**(1,310)**
Historical cost increase	-	338	-	757	**1,095**
Increase in accumulated depreciation	-	(531)	-	-	**(531)**
Total changes	**-**	**49**	**-**	**757**	**806**
Historical cost	3	10,197	30	757	**10,987**
Accumulated depreciation	(3)	(9,494)	(21)	-	**(9,518)**
Balance at 31 December 2016	**-**	**703**	**10**	**757**	**1,469**

Investments in 'Industrial and other patent rights' include costs sustained for the long-term renewal and upgrade of ERP system (software).
The increase in 'Industrial and other patent rights' is due to software acquisition of the parent company Esprinet, while the increase in the 'Asset under construction and advances' value refers to a new software acquired but non yet in operation as at 31 December 2016.
This item is amortised in three years.

The item 'Business combination acquisition', equal to 0.2 million euro, substantially refers to the contribution generated by EDSlan S.r.l. first consolidation on 8 April 2016.

6) Deferred income tax assets

(euro/000)	31/12/2016	31/12/2015	Var.
Deferred income tax assets	11,931	8,347	3,584

The balance of this item is represented by prepaid tax assets due to tax losses carried forward and by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Group expects to recover in future operating years when taxable earnings will be accounted.
The recoverability is supported by the estimated net incomes based on the forecasted plans approved by the Board of Directors as at 21 March 2017.
The increase compared to the previous year refers mainly to the 2016 acquisitions, 3.9 of which related to Vinzeo Technologies S.A.U. company.

The following table shows the composition of the abovementioned item:

(euro/000)	31/12/2016			31/12/2015		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax						
Tax losses carried forward	25,370	25%-21%	6,313	20,276	25%-21%	5,054
Tax losses carried forward	-	24.00%	-	492	27.50%	135
Tax losses carried forward	70	16.50%	12	126	22%-16,5%	23
Derivative instruments	-	27.50%	-	133	27.50%	37
Derivative instruments	428	24.00%	103	-	27.50%	-
Interest expenses	297	25.00%	74	-	30.00%	-
Exceeding amortisation	175	27.90%	49	102	27.50%	28
Exceeding amortisation	59	3.90%	2	217	3.90%	8
Exceeding amortisation	447	24.00%	107	368	24.00%	88
Bad debt provision	4,507	24.00%	1,082	3,632	24.00%	872
Bad debt provision	24	25.00%	6	19	25.00%	5
Bad debt provision	-	27.50%	-	1,235	27.50%	340
Inventory obsolescence provision	-	27.50%	-	636	27.50%	175
Inventory obsolescence provision	2,276	3.90%	89	2,230	3.90%	87
Inventory obsolescence provision	2,276	24.00%	546	1,595	24.00%	383
Change in inventory	504	27.90%	141	410	31.40%	129
Director's fees not paid	1,566	24%-25%	380	1,140	24%-25%-27,5%	300
Agent suppl. indemnity provision	-	27.50%	-	40	27.50%	11
Agent suppl. indemnity provision	747	3.90%	29	790	3.90%	31
Agent suppl. indemnity provision	747	24.00%	179	750	24.00%	180
Option purchase on Celly % residual amount	-	24.00%	-	343	24.00%	82
Double dividend tax	7,812	25.00%	1,953	-	25.00%	-
Other expenses fiscally deducted in previous years	1,638	25.00%	410	-	25.00%	-
Other	458	24%-25%-27,9%	457	1,642	27,5%-25%-31,4%	379
Deferred income tax assets			**11,931**			**8,347**

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the exchange losses valuation, on the actuarial valuation of the staff severance indemnity (TFR), as well as on the write-off of intangible assets capitalized under IAS 38.

The time-related allocation of this item is as follows:

(euro/000)		Within 1 year	1-5 year	Over 5 years	Total
Deferred income tax assets	31/12/2016	3,125	7,166	1,640	11,931
	31/12/2015	2,533	5,649	165	8,347

9) <u>Receivables and other non-current assets</u>

(euro/000)	31/12/2016	31/12/2015	Var.
Guarantee deposits receivables	4,604	4,649	(45)
Trade receivables	2,292	2,696	(404)
Receivables and other non-current assets	**6,896**	**7,345**	**(449)**

The trade receivables refer to the portion of receivables from the customer 'Guardia di Finanza – GdF ' (Revenue Guard Corps') which expires after one year and arose from goods delivered by Esprinet S.p.A. to GdF in 2011.

These receivables consists of a yearly payments plan until January 2022 against which the Holding Company obtained a loan from Intesa Sanpaolo in 2013 whose instalments would be paid directly by the customer. Since the counterparties of the two transactions are different it was deemed necessary to maintain the receivables from the customer and the payables to the financial entity separately booked until full repayment of the loan.
The variation compared to 31 December 2015 is due to the allocation in the current receivables of the portion expiring within next fiscal year.

Guarantee deposit receivables refer for 3.0 million euro (equal amount in 2015) to the deposit with the purchaser under the securitisation transaction conducted by the parent Company aimed at ensuring coverage of potential dilutions under this exercise or in the months following the transaction closing with effect in June 2018 at the latest. The remaining portion refers to guarantee deposits relating to utilities and lease agreements ongoing.

Current assets

10) Inventory

(euro/000)	31/12/2016	31/12/2015	Var.
Finished products and goods	336,741	308,011	28,730
Provision for obsolescence	(7,855)	(2,556)	(5,299)
Inventory	**328,886**	**305,455**	**23,431**

Inventory totalled 328.9 million euro, up 23.4 million euro compared to 31 December 2015 existing stock.

The contribution to 'finish products and goods' from the first consolidation of the companies acquired in 2016 is as follows:

- EDSlan S.r.l., with effect from 9 April 2016, amounted to 7.7 million euro;
- Vinzeo Technologies S.A.U., with effect from on 1 July 2016, amounted to 58.9 million euro;
- Mosaico S.r.l., with effect from 1 December 2016, amounted to 0.4 million euro;
- V-Valley Iberian S.L.U., with effect from 1 December 2016, amounted to 0.1 million euro;

The 7.9 million euro allocated to Provision for obsolescence is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

The movement in the provision during the period was as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Provision for absolescence: year-beginning	**2,556**	**2,813**	**(257)**
Uses	(2,624)	(934)	(1,690)
Accruals	2,054	677	1,377
Subtotal	**(570)**	**(257)**	**(313)**
Acquisition in business combination	5,869	-	5,869
Total Variation	**5,299**	**(257)**	**5,556**
Provision for absolescence: period-end	**7,855**	**2,556**	**5,299**

11) Trade receivables

(euro/000)	31/12/2016	31/12/2015	Var.
Trade receivables - gross	395,849	257,258	138,591
Bad debt provision	(7,177)	(5,765)	(1,412)
Trade receivables - net	**388,672**	**251,493**	**137,179**

Trade receivables arise from normal sales dealings engaged in by the Group in the context of ordinary marketing activities.
These transactions are entered into almost entirely with customers resident in the two countries where the Group is present, are almost fully in euro and are short-term.

The increase in the item trade receivables-gross was mainly caused by the improvement in turnover and by the increase in trade receivables collection period, the latter offsetting the opposite effect from higher no-recourse assignments in 2016 compared to last year (i.e. equal to approx. 400 million euro at the end of 2016 compared to 287 million euro in 2015).

The contribution on 'Trade receivables - Gross' from the first consolidation of the companies acquired in 2016 is as follows:

- EDSlan S.r.l., with effect from 9 April 2016, amounted to 30.2 million euro;
- Vinzeo Technologies S.A.U., with effect from 1 July 2016, amounted to 66.4 million euro;
- Mosaico S.r.l., with effect from 1 December 2016, amounted to 2.3 million euro;
- V-Valley Iberian S.L.U., with effect from 1 December 2016, amounted to 1.4 million euro;

Adjustments to the presumed net realisable value of receivables collected is effected through bad debt provision which incidence on receivables-gross is substantially stable (further information can be found under 'Disclosure on risks and financial instruments'). The movement in this provision during the period was as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Bad debt provision: year-beginning	**5,765**	**7,431**	**(1,666)**
Uses	(1,628)	(2,141)	513
Accruals	1,460	475	985
Subtotal	**(168)**	**(1,666)**	**1,498**
Business combination acquisition	1,580	-	1,580
Total variation	**1,412**	**(1,666)**	**3,078**
Bad debt provision: period-end	**7,177**	**5,765**	**1,412**

The item 'Business combination acquisition', equal to 1.6 million euro, refers to the contribution from the first consolidation of the companies acquired in 2016, as follows:

- EDSlan S.r.l., with effect from 9 April 2016, amounted to 1.2 million euro;
- Vinzeo Technologies S.A.U., with effect from 1 July 2016, amounted to 0.4 million euro;

The Trade receivables balance includes 5.2 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement for which the Group maintains credit risk.

12) Income tax assets

(euro/000)	31/12/2016	31/12/2015	Var.
Income tax assets	6,175	3,490	2,685

The Income tax assets mainly result from the higher tax advances paid compared to the current taxes accrued in 2016. Besides, 1.2 million euro relates to the refund claim of IRES tax paid as a result of the non-deduction of the IRAP tax on personnel costs in fiscal years 2004-2007 and 2007-2011 in Esprinet S.p.A..

13) Other assets

(euro/000)	31/12/2016	31/12/2015	Var.
Receivables from associates companies (A)	**6**	**164**	**(158)**
Witholding tax assets	882	-	882
VAT receivables	5,359	1,470	3,889
Other tax assets	4,580	34	4,546
Other receivables from Tax authorities (B)	**10,821**	**1,504**	**9,317**
Receivables from factoring companies	1,492	2,714	(1,222)
Customer financial receivables	509	507	2
Banks financial receivables	5,087	-	5,087
Receivables from insurance companies	1,881	1,863	18
Receivables from suppliers	9,241	7,471	1,770
Receivables from employees	2	150	(148)
Receivables from others	196	173	23
Other receivables (C)	**18,408**	**12,878**	**5,530**
Prepayments (D)	**2,856**	**2,963**	**(107)**
Other assets (E= A+B+C+D)	**32,091**	**17,509**	**14,582**

'VAT receivables' refer to VAT receivables accrued by the parent company Esprinet S.p.A. and by its subsidiaries V-Valley S.r.l., Celly S.p.A. and Esprinet Iberica S.l.u. as well as to sums claimed for refund by Esprinet S.p.A. from tax authorities and not available as tax relief.

The 'Income tax assets' figure refers almost entirely to the parent company financial receivables from the Tax authority, due to a partial payment of a tax notice referring to indirect taxes on a provisional basis. The above led to a tax dispute detailed in the paragraph 'Development of the disputes involving Esprinet S.p.A. and the Group' under the notes to item '26) Provisions and other liabilities'.

Receivables from factoring companies, mainly referring to the parent company (1.2 million euro) and to the subsidiary V-Valley (0.3 million euro), relate to the residual amount still unpaid of the receivables sold 'without recourse' at the end of December 2016. At the time this report was drafted, the receivables become due had been almost entirely paid.
The increase compared to the previous year-end balance, is mainly due to the temporary differences in the collection of transferred receivables.

Customer financial receivables refer for 0.5 million euro to the short portion of receivables collectable within the subsequent year that arose from a delivery of goods in 2011 from Esprinet S.p.A. to the customer 'Guardia di Finanza - Gdf'. For further information please refer also to paragraph "Receivables and other non-current assets".

The financial receivable toward banks amount refers to term deposit maturing in April 2017, created by Vinzeo Technologies S.A.U., acquired on 1 July 2016, in order to betterly manage the temporary cash surplus.

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid, but which are reasonably expected to be collected within the next fiscal year.

Receivables from suppliers refer to credit notes received exceeding the amount owed at the end of December for a mismatch between the timing of their quantification and the payment of suppliers. This item also includes receivables from suppliers for advance payments requested by suppliers before purchase orders are executed, as well as receivables from hauliers for advance VAT payments and customs duties pertaining to imports.

Prepayments are costs whose accrual date is deferred compared with that of the cash movement (mainly maintenance fees, insurance premiums, payables for leasing contracts, undrawn credit facility fees).

17) Cash and cash equivalents

(euro/000)	31/12/2016	31/12/2015	Var.
Bank and postal deposit	285,889	280,076	5,813
Cash	34	11	23
Cheques	10	2	8
Total cash and cash equivalents	**285,933**	**280,089**	**5,844**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. The level of liquidity (originated in the normal short-term financial cycle of collections/payments) fluctuates during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are

distributed more evenly over the month. The variation versus 31 December 2015 is linked to the increase in operating net working capital.

Net equity

(euro/000)	31/12/2016	31/12/2015	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	287,575	263,771	23,804
Own shares (C)	(5,145)	(5,145)	-
Total reserves (D=B+C)	**282,430**	**258,626**	**23,804**
Net income for the year (E)	**26,667**	**30,321**	**(3,654)**
Net equity (F=A+D+E)	**316,958**	**296,808**	**20,150**
Non-controlling interests (G)	999	797	202
Total equity (H=F+G)	**317,957**	**297,605**	**20,352**

Items composing consolidated shareholders' equity are explained in the following notes:

19) Share capital

The Esprinet S.p.A. Share capital, fully subscribed and paid-in as at 31 December 2016, is 7,860,651 euro and comprises 52,404,340 shares with a face value of 0.15 euro each.

The main information items used in reporting the value of the rights for the free assignment of the shares can be found in the 'Directors' Report on Operations'.
The value of these rights was reported in the separate income statement under costs relating to salaried staff and under those relating to Directors, with a balancing item reported in the statement of financial position under the item 'Reserves'.

20) Reserves

Reserves and profit carried over

The 'Reserve and profit carried over' balance increased by 23.8 million euro, mainly due to the allocation of profits from previous years equal to 30.3 million euro net of 7.8 million euro relating to a dividend distribution (0.15 euro per ordinary share).

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of No. 646.889 Esprinet S.p.A. shares owned by the Company. The variation occurred refers to the 1,150,000 shares granted in May 2015 as per the 2012-2014 'Share Incentive Plan' approved on 9 May 2012 by Esprinet Shareholders' Meeting, as well as to the 615,489 shares purchased pursuant to the resolution of Esprinet Shareholders' Meeting dated 30 April 2015.

21) Net income

The year's consolidated profits amount to 26.7 million euro, decreased compared to the previous year's 30.3 million euro.

Non-current liabilities

22) Borrowings

(euro/000)	31/12/2016	31/12/2015	Var.
Borrowings	28,833	65,138	(36,305)

The borrowings value refers to the valuation at the amortized cost of the portion of the medium-long term loans granted by the Group companies falling due beyond next year.
As detailed under the paragraph 'Net financial indebtedness and financial liabilities analysis', these loans mainly refers (for 23.0 million euro) to the agreements of the Spanish subsidiary Vinzeo Technologies S.A.U., acquired in July 2016.

In addition, debt is related for 3.0 million euro to the residual non-current portion of a five-year floating rate unsecured loan, whose residual nominal value is equal to 4.0 million euro, signed by the subsidiary Celly S.p.A. in October 2015; another 2.3 million euro refers to the portion not yet due of the loan granted to the Parent Company relating to a delivery of goods to the customer 'Revenue Guard Corps' (so-called Guardia di Finanza – GdF), which led to the booking of an identical long-term receivable from GdF, as described under paragraph 9 'Receivables and other non-current assets'; for the remaining 0.6 million euro amount to medium long-term loans granted within the business combination carried out by the newly established company EDSlan S.r.l. in April 2016.

Notwithstanding these new loans acquired, the debt amount decreased compared to the end of the previous year mainly thanks to the portion due within 12 months (42.4 million euro) of the Term Loan Facility signed by the parent company with a pool of banks in July 2014 and the 10 million euro bullet loan granted by the Company with Unicredit S.p.A. in July 2015, being transferred to the current financial debts, since some covenants linked to the abovementioned loans were not met.

Further details can be found in the following paragraph 'Net financial indebtedness and financial liabilities analysis'.

23) Derivative financial liabilities (non-current)

(euro/000)	31/12/2016	31/12/2015	Var.
Derivative financial liabilities	66	224	(158)

The amount as at 31 December 2016 refers to the 'fair value' of 'IRS-Interest Rate Swap' contracts entered by Vinzeo Technologies S.A.U. to hedge the risk of interest rate fluctuations on various medium-long term floating rate loans.

On the contrary, the previous year amount refers to the fair value of 8 'IRS-Interest Rate Swaps' signed by Esprinet S.p.A. in July 2014 with a pool of banks for an original notional amount of 65 million euro (reduced to 48.8 million euro as at 31 December 2016). At 31 December 2016 the fair value of these contracts was entirely booked under current liabilities, as a consequence of two covenants under the Term Loan Facility not being satisfied, and of management's willingness to replace this facility resulting in the termination of existing derivatives and to underwrite new interest hedging contracts.

For further details regarding the operation please refer to the sections headed 'Loan and loans covenants' and 'Hedge accounting' under the paragraph 'Disclosure on risks and financial instruments'.

24) Deferred income tax liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Deferred income tax liabilities	6,100	4,757	1,343

The balance of this item depends on higher taxes that the Group has to pay in the next operating years due to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

These differences mainly arise from the elimination of the tax amortisation of goodwill.

	31/12/2016			31/12/2015		
(euro/000)	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Deferred income tax liabilities						
Goodwills' amortisation	8,175	24.00%	1,962	7,731	24.00%	1,855
Goodwills' amortisation	8,175	3.90%	319	7,731	3.90%	302
Goodwills' amortisation	12,434	25.00%	3,109	8,602	25.00%	2,151
TFR' variation	159	24.00%	38	135	27.50%	37
Foreign exchange estimate	417	24.00%	100	224	27.50%	62
Change in inventory	745	27.50%	205	760	27.50%	209
Change in inventory	92	24.00%	22	-	24.00%	-
Change in inventory	837	3.90%	33	760	3.90%	30
Change in inventory	285	25.00%	71	302	25.00%	76
Leasing quotas	-	31,4%-25%	-	57	31,4%-25%	15
Option % on residual Celly	938	24.00%	225	-	27.50%	-
Gain on year 2015	-	27,5%-24%	-	90	27,5%-24%	22
Other	65	25.00%	16	-	25.00%	-
Total deferred income tax liabilities			**6,100**			**4,757**

The time-related allocation of deferred income tax liabilities is as follows:

(euro/000)		Within 1 year	1-5 years	Over 5 years	Total
Deferred income tax liabilities	31/12/2016	576	160	5,364	6,100
	31/12/2015	424	26	4,307	4,757

25) Retirement benefit obligations

'Retirement benefit obligations' reflects the 'TFR' provision and other benefits accruing to salaried staff at the close of the period, assessed in accordance with actuarial criteria, pursuant to IAS 19.

The provisions totally belong to Italian companies, since a similar system does not exist in Spain..

Please note that from 1 January 2007 important modifications governing the Staff Severance Fund, among which the possibility for the worker to choose the destination of the accruing Staff Severance Fund, were introduced.
In particular, the new Staff Severance Fund flows can be channelled by the worker into a selected pension fund or kept in the company (in this case the Staff Severance Fund contributions will be paid into a treasury fund instituted at the INPS).

Changes occurred during the year are shown in the tables below:

(euro/000)	31/12/2016	31/12/2015	Var.
Balance at year-beginning	**4,044**	**4,569**	**(525)**
Acquisition from business combinations	1,039	-	1,039
Service cost	105	156	(51)
Interest cost	86	65	21
Actuarial (gain)/loss	151	(275)	426
Pensions paid	(240)	(471)	231
Changes	**1,141**	**(525)**	**1,666**
Balance at year-end	**5,185**	**4,044**	**1,141**

Values recognised in the separate income statement are as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Amounts booked under personnel costs	105	156	(51)
Amounts booked under financial costs	86	65	21
Total	**191**	**221**	**(31)**

The provision variation, showing an increase of 1,141 million euro, is mainly linked to EDSlan S.r.l. (accounting for 616 million euro) and Mosaico S.r.l. (accounting for 423 million euro) entering the consolidation perimeter.

The increase in the 'actuarial gain or losses' amount compared to last year is mainly related to the decrease in the discounted rate used in the 2016 actuarial calculation. Please note that the abovementioned discount rate reflects the market returns, at the financial statement date of a panel of primary company bonds with a maturity date connected with the employee average residual permanence in Esprinet (more than 10 years)[18].

The method known as 'Project Unit Credit Cost' used to assess the staff severance indemnity ('TFR') as per the IAS 19 accounting standard is based on demographic assumptions and on the following economic-financial assumptions:

a) Demographic assumptions

- probability of death: the values for the Italian population reported by ISTAT (Italian Central Statistics Institute) in reference to 2002, indicated separately according to gender;
- probability of disability: the results adopted in the INPS (Italian National Social Security Institute) model for projections up to 2010, indicated separately according to gender. These probabilities were calculated starting from the pension distribution by age and gender existing on 1 January 1987 with effect from 1984, 1985, 1986 referring to the credit segment personnel.
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker;
- probability of terminating employment for reasons other than death: 6% annual frequency has been considered based on available statistics;
- probability of anticipating: an annual rate of 3% has been assumed.

[18] Please note that, the iBoxx Eurozone Corporates AA10+ index was used as parameter for the above mention calculation.

b) Economic-financial assumptions

	31/12/2016	31/12/2015
Cost of living increase	1.50%	1.80%
Discouting rate [2]	1.31%	2.00%
Remuneration increase	3,00% [1]	3,00% [1]
Staff severance indemnity (TFR) - annual rate increase	2.63%	2.80%

[1] The assumption relating to a remuneration increase refers solely to Celly S.p.A..
[2] IBoxx Eurozone Corporates AA10+ index has been used for the calculation.

Sensitivity analyses

Pursuant to IAS 19R, a sensitivity analysis of changes in main actuarial hypothesis used in the calculation model is required.
As basic scenario the one above described was assumed and from that the most significant hypotheses (i.e. annual average discount rate, average cost of living increase and turn-over rate) were increased and decreased by half, a quarter and two percentage points respectively. The outputs so obtained are summarized as follows:

(euro)		Sensitivity analysis
		Esprinet Group
Past Service Liability		
Annual discount rate	*+0,50%*	6,429,658
	-0.50%	7,193,826
Annual inflation rate	*+0,25%*	6,881,555
	-0.25%	6,707,636
Annual turnover rate	*+2,00%*	6,336,787
	-2.00%	7,386,138

As required by IAS 19 Revised, the estimated expected payments (in nominal value) for the next years are as follows:

(Euro)	Future Cash Flow
Year	***Esprinet Group***
0 - 1	548,818
1 - 2	350,136
2 - 3	373,332
3 - 4	314,910
4 - 5	356,704
5 - 6	328,277
6 - 7	301,873
7 - 8	318,037
8 - 9	300,158
9 - 10	317,896
Over 10	4,911,461

49) Debts for investments in subsidiaries (non-current)

(euro/000)	31/12/2016	31/12/2015	Var.
Debts for investments in subsidiaries	3,942	5,222	(1,280)

The debts for investments in subsidiaries refer to the discounted fair value of the forecast potential compensation relating to the acquisition of the residual 20% of Celly S.p.A. as a consequence of the mutually granted put/call options between Esprinet S.p.A. and Celly S.p.A. on the same shares.

The above mentioned debt, falling due between the 5th and the 7th year subsequent to the Celly Group acquisition date occurred on 12 May 2014, was calculated from the expected EBITDA and net financial position of Celly Group in the two-year period prior to the exercise date adjusted by means of a ratio varying based on a matrix of possible combinations and discounted-back using a 2-year free risk rate prevailing at the reporting date.

26) Non-current provisions and other liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Long-term liabilities for cash incentives	215	31	184
Provisions for pensions and similar obligations	2,325	1,904	421
Other provisions	480	560	(80)
Non-current provisions and other liabilities	**3,020**	**2,495**	**525**

The item Long-term liabilities for cash incentives refers to the cash incentives maturing by the beneficiaries of the 'Long-term Incentive Plan' in the subsidiary Esprinet Iberica having the same features as the Italian plan, payable in May 2018 subject to achievement of Group profit targets for the 2015-2017 period and subject to the beneficiary being still employed by the Group at the date the Consolidated Financial Statements of Esprinet Group as at 31 December 2017 will be presented.

The item 'Provisions for pensions and similar obligations' includes the supplementary customer indemnity provision payable to agents based on current regulations disciplining the subject. Movements in the period are as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Provisions for pensions: year-beginning	**1,904**	**1,433**	**471**
Uses	(176)	(99)	(77)
Accruals	293	570	(277)
Subtotal	**117**	**471**	**(354)**
Business combination acquisition	304	-	304
Total variation	**421**	**471**	**(50)**
Provisions for pensions: period-end	**2,325**	**1,904**	**421**

The amount, entered under Other Provisions, is intended as cover for risks linked with current legal and tax-related disputes. Changes occurred in the period are as below:

(euro/000)	31/12/2016	31/12/2015	Var.
Other provisions: year-beginning	**560**	**1,301**	**(741)**
Uses	(388)	(892)	504
Accruals	308	151	157
Subtotal	**(80)**	**(741)**	**661**
Business combination acquisition	-	-	-
Total variation	**(80)**	**(741)**	**661**
Other provisions: period-end	**480**	**560**	**(80)**

Development of the disputes involving Esprinet S.p.A. and the Group.

In 2016 the following developments occurred in relation to the main disputes involving the Group, for which the Company has conducted the pertinent risk assessments, with the support of its legal and/or tax consultants, and, where deemed appropriate, recognized the ensuing allocations to the provision for risks.
The following list summarises the development of the main current legal disputes.

Esprinet S.p.A. direct taxes for the year 2002

In the tax dispute for tax period 2002 relating to VAT, IRPEG and IRAP, amounting to 6.0 million euro plus penalties and interest, it should be noted that, after Esprinet S.p.A. had obtained favourable judgements in both the first and second instance against the assessment notice issued in late 2007, on 3 August 2016 the Supreme Court judgement was filed that partially accepted the appeal made by Italian Revenue Office. The Supreme Court referred the case to another section of Regional TAX Commission which will have to determine which part of the assessment will be upheld in relation to the disputed notice.
The Company reactivated the proceeding at the Regional Tax Commission on 10 November 2016.

Actebis Computer S.p.A. (now Esprinet S.p.A.) - Indirect taxes for the year 2005

In the tax disputes involving Actebis Computer S.p.A. relating to periods prior to the acquisition of the company (subsequently merged into Esprinet S.p.A.), as also disclosed in the financial statements for the previous year, all outstanding litigation has been put to rest, with the exception of that pertaining

to the year 2005, for which Esprinet, on indication from the seller of Actebis, after the attempted assessment by adhesion failed, proceeded to pay the reduced penalties and lodge an appeal before the Provincial Tax Commission. This appeal was rejected on 8 October 2012. Esprinet S.p.A., following seller consultant's advice, presented an appeal which was registered at the Regional Tax Commission on 20 May 2013.
On 23 September 2014 the appeal was rejected and against the judgement the seller consultant's presented an appeal in front of the Court of Appeal.
In the meanwhile Esprinet paid the sums inscribed on the tax roll as per the the Regional Tax Commission decision, after the receipt of funding from the seller.

Esprinet S.p.A. indirect taxes for the year 2010

On 29 December 2015 the Company was served a notice equal to 2.8 million euro relating to an assessment claiming VAT on taxable transactions entered into with a company whose purchases benefited from tax exemption by virtue of a declaration issued by the same company, which eventually did not qualify as a frequent exporter.
On 26 February 2016 an appeal was filed with the Provincial Tax Commission together with a self-defence petition and on 18 April 2016, in accordance with administrative procedure, the company made an advance payment equal to 1.2 million euro, displayed under 'Other tax assets'.
On 20 June 2016 the matter was treated and on 26 August 2016 the Provincial Tax Commission issued their judgement rejecting the Company's appeal.
Nevertheless, also based of its advisors' opinion, the Company still confirms the correctness of its actions and on 15 February 2017 filed an appeal against Provincial Tax Commission sentence.

Esprinet S.p.A. indirect taxes for the year 2011

On 30 November 2016 the Company was served a notice relating to an assessment claiming VAT of 1.0 million euro, plus penalties and interests. The Tax Authority claims some transactions to be taxable in respect of which a customer had previously filed a declaration of intent, but failing later to fulfil the requirements needed to qualify as a frequent exporter.
The notice of assessment follows tax checks carried out by the *Direzione Regionale delle Entrate* (Regional Revenue Office) - Large Taxpayer Office through questionnaires sent on 3 October 2016.
The Company appealed against the notice of assessment on 23 January 2017.

Monclick S.r.l.. direct taxes for the year 2012

On 7 September 2015 the Italian Revenue Office closed a tax audit relating to tax period 2012 (year in which the company was still part of the Esprinet Group) serving a tax notice. From the tax audit report some breaches arise resulting in disallowance of costs.
On 2 November the Company filed its comments.
On 20 July 2016 Italian Revenue Office notified tax assessment notices related to Irap and direct taxation. On 29 September the Company filed a tax settlement proposal, leading to a cross-examination with the Office.
On 25 November 2016 the Office rejected the settlement proposal, and as a consequence the Company presented an appeal on 16 January 2017.

V-Valley S.r.l. direct taxes for the year 2011

On 27 June 2014 an overall tax inspection was started against the Company with respect to direct taxes, IRAP and VAT for tax year 2011, followed by a tax audit report on 25 July 2014. On 6 October 2016 the Italian Revenue Office issued a notice of assessment.
On 29 September 2016 the Company filed a tax settlement proposal, and on 17 January 2017 the first meeting with the Office was held. Since the discussion with the Office did not solve the dispute, the Company filed an appeal on 3 March 2017.

Current liabilities

27) Trade payables

(euro/000)	31/12/2016	31/12/2015	Var.
Trade payables - gross	700,201	613,304	86,897
Credit notes to be received	(84,689)	(90,868)	6,179
Trade payables	**615,512**	**522,436**	**93,076**

The 'Receivables – credit notes' mainly refer to the rebates related to commercial targets reached, to various incentives, to reimbursement of joint marketing activities with suppliers and to stocks contractual protections. For further information on this item trend and more generally on the Working Capital please refer to paragraph 'Operating net working capital' in the 'Directors' Report on Operations'.

28) Short-term financial liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Bank loans and overdrafts	141,852	21,269	120,583
Other financing payables	10,033	8,045	1,988
Short - term financial liabilities	**151,885**	**29,314**	**122,571**

Bank loans and overdrafts consist for 47.8 million of short term loans due within one year (0 as at 31 December 2015), as well as for 13.0 million euro of advances 'with recourse' on invoices and trade bills (compared to 1.3 million of euro at 31 December 2015), and for 78.4 million euro of the amortised cost of the current portion of medium-long-term loans (17.6 million euro at 31 December 2015), whose details are reported in the paragraph 'Net financial indebtedness'.

The change of short term loans and advances 'with recourse' amounts compared to 31 December 2015 is mainly due to the greater use of bank borrowings made by the Group, substantially for financing the acquisitions of the Spanish company Vinzeo Technologies, completed on 1 July 2016, and of the VAD business units from the Itway group, closed on 30 November 2016, while the remaining part is due to Vinzeo Technologies S.A.U. liabilities.

The change in the current portion of the medium-long term loans compared to 31 December 2015 is due to the following events occurred in Esprinet S.p.A.:

- 16.2 million euro is due to the transfer of the instalments of the 'Term loan facility' signed in July 2014 falling due within 12 months with a nominal value of 65 million euro from the 'Borrowings' item.
- 26.2 million euro is due to the transfer of the additional non-current portions of the Term Loan Facility and of the entire medium-long term loan taken with Unicredit S.p.A. in July 2015, which is intended to hedge potential dilutions under the receivable securitisation transaction realised by the parent company amounting to 10 million euro, from 'Borrowings' as a consequence of failure to meet certain financial covenants to which such loans are subject (for further information please refer to the paragraph 'Loans and loan covenants').

Payables to other lenders are mainly advances obtained from factoring companies deriving from the usual with-recourse assignment of credits by the Group, and from outstanding payables received in

the name and on behalf of clients under the without-recourse factoring agreement. The debt increase is due to higher volumes of receivables factored.

29) Income tax liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Income tax liabilities	740	751	(11)

Income tax liabilities, equal to 0.8 million euro, are due to the higher amount of Esprinet Iberica (0.5 million euro) and Mosaico (0.2 million euro) current income taxes referred to 2016 tax year compared to the advances paid.

30) Derivative financial liabilities (current)

(euro/000)	31/12/2016	31/12/2015	Var.
Derivative financial liabilities	483	195	288

This item refers to the ‘fair value’ of ‘IRS-Interest Rate Swap’ contracts entered by Esprinet S.p.A. and Vinzeo Technologies S.A.U. to hedge the risk of interest rate fluctuations on various medium-long term floating rate loans.
The main portion refers to the fair value of the ‘IRS-Interest Rate Swaps' signed by Esprinet S.p.A. in December 2014 with a pool of banks for an original notional amount of 65 million euro (reduced to 48.8 million euro as at 31 December 2016). The abovementioned fair value, equal to 0.4 million euro, was entirely booked under current liabilities, as a consequence of two covenants under the Term Loan Facility not being satisfied, and of management's willingness to replace this facility resulting in the termination of existing derivatives and to underwrite new interest hedging contracts.

For further details regarding the operation please refer to the sections headed 'Loan and loans covenants' and 'Hedge accounting' under the paragraph ‘Disclosure on risks and financial instruments’.

32) Provisions and other liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Social security liabilities (A)	**4,379**	**3,007**	**1,372**
Associates companies liabilities (B)	**5**	**5**	**-**
VAT payables	10,873	10,888	(15)
Withholding tax liabilities	328	249	79
Other tax liabilities	1,700	1,369	331
Other payables to Tax authorities (C)	**12,901**	**12,506**	**395**
Payables to personnel	5,538	4,109	1,429
Payables to customers	4,773	7,821	(3,048)
Payables to others	2,147	1,849	298
Total other creditors (D)	**12,458**	**13,779**	**(1,321)**
Accrued expenses and deferred income (E)	**419**	**337**	**82**
Provisions and other liabilities (F=A+B+C+D+E)	**30,162**	**29,634**	**528**

Social security liabilities mainly refer to payables to Welfare Institutions linked to wages and salaries paid in December and to social contributions accrued on deferred monthly payables, monetary incentives included.

VAT liabilities, referring to the amount matured during the month of December.

Other tax liabilities are mainly taxes withheld on wages and salaries paid to employees during the month of December.

Payables to personnel refer to December salaries as well as to deferred monthly payables (holidays not taken, year-end bonus, monetary incentives included) accruing at the end of the year.

Payables to customers mainly refer to credit notes not yet paid relating to current trading relationships.

Payables to others include mainly payables amounting to 1.4 million euro to Directors relating to 2015 emoluments accrued (1.3 million euro in 2015), as well as payables of 0.6 million euro to the Group's agents' network relating to commissions due and payable.

Accrued expenses and deferred income are income and/or charges whose accrual date is deferred/anticipated compared to the cash collection/expenditure.

51) Debts for investments in subsidiaries (current)

(euro/000)	31/12/2016	31/12/2015	Var.
Debts for investments in subsidiaries	4,718	-	4,718

The amount refers to the estimated discounted value of the differed consideration that the Group will pay to the Itway group for the VAD business unit acquisition. It is equal to the net difference between the purchase price adjustment from the seller with respect to the financial position of the contribution, and estimated earn-outs owed to the seller in proportion to profitability results in the twelve months following the transaction date which took place on 30 November 2016 as described under the paragraph 'Significant events occurred in the period'.

6. Guarantees, commitments and potential risks

Commitments and potential risks

The commitments and risks potentially facing the Group are as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Third-party assets on consignment to the Group	38,976	16,874	22,102
Real securities	-	-	-
Bank guarantees issued in favour of other companies	13,784	12,848	936
Total guarantees issued	**52,760**	**29,722**	**23,038**

Third-party assets on consignment to the Group

This amount mainly refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. (11.3 million euro) and at the Esprinet Iberica (14.0 million euro) warehouses.

Bank guarantees issued in favour of other companies

The amount mainly refers to bank guarantees issued for deposits in relation to property lease agreements entered into in Italy, and bank suretyships issued to the Public Administration in order to participate in tenders for services or supplies.

7. Notes to income statement items

33) Sales

The following are some breakdowns of sales performance of the Group during the year. Other analysis on sales have been provided in 'Directors' report on operations'.

Sales by products and services.

(euro/million)	2016	%	2015	%		% Var.
Product sales	1,979.9	65.1%	1,989.6	73.9%	(9.7)	0%
Services sales	15.7	0.5%	8.4	0.3%	7.3	87%
Sales - Subgroup Italy	**1,995.6**	65.6%	**1,998.0**	**74.2%**	**(2.4)**	**0%**
Product sales	1,045.7	34.4%	695.2	25.8%	350.5	50%
Services sales	1.0	0.0%	0.9	0.0%	0.1	11%
Sales - Subgroup Spain	**1,046.7**	34.4%	**696.1**	**25.8%**	**350.6**	**50%**
Group sales	**3,042.3**	100.0%	**2,694.1**	**100.0%**	**348.2**	**13%**

Sales by geographical segment.

(euro/million)	2016	%	2015	%	Var.	% Var.
Italy	1,962.9	64.5%	1,973.9	73.3%	(11.0)	-0.6%
Spain	1,016.5	33.4%	664.1	24.7%	352.4	53.1%
Other EU countries	40.0	1.3%	45.6	1.7%	(5.6)	-12.2%
Extra EU countries	22.9	0.8%	10.5	0.4%	12.4	117.7%
Group sales	**3,042.3**	**100.0%**	**2,694.1**	**100.0%**	**348.2**	**12.9%**

Sales in other EU countries mainly refer to sales made by the Spanish subsidiary to customers resident in Portugal. Sales in non-EU countries refer mainly to sales to customers resident in the Republic of San Marino.

35) Gross profit

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	3,042,330	100.00%	2,694,054	100.00%	348,276	*13%*
Cost of sales	2,878,435	94.61%	2,537,190	94.18%	341,245	*13%*
Gross profit	**163,895**	**5.39%**	**156,864**	**5.82%**	**7,031**	***4%***

The consolidated gross profit totalled 163.9 million euro and showed an increase of +4% (+7.0 million euro) compared to 2015 as a consequence of higher sales only partially counterbalanced by a decrease in gross profit margin.
As is prevalent in the sectors where the Group operates, the cost of sales is adjusted downwards to take into account the premiums, premiums/rebates for having achieved targets, development provisions and co-marketing, cash discounts (so-called 'prompt payment discounts') and other incentives. This is further reduced by the credit notes issued by vendors in relation to protection agreed for the value of stock.

Gross profit is affected by the difference between the amount of trade receivables sold 'without-recourse' to factoring companies within the usual revolving programmes and the amounts collected. This is calculated as approx. 5.4 million euro for this fiscal year (4.2 million euro in 2015).

50) Other income

(euro/000)	2016	%	2015	%	% Var.
Sales	3,042,330		2,694,054		*13%*
Other income	2,838	0.09%	0	0.00%	

Other income, amounting to 2.8 million euro, refers entirely to the gain realized from the newly established company, EDSlan S.r.l., for the business unit acquisition relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors.

37-38) Operating costs

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**3,042,330**		**2,694,054**		348,276	***13%***
Sales and marketing costs	49,871	1.64%	43,974	1.63%	5,897	*13%*
Overheads and administrative costs	78,296	2.57%	66,391	2.46%	11,905	*18%*
Operating costs	**128,167**	**4.21%**	**110,365**	**4.10%**	**17,802**	***16%***
- of which non recurring	4,754	0.16%	657	0.02%	4,097	*624%*
'Recurring' operating costs	**123,413**	**4.06%**	**109,708**	**4.07%**	**13,705**	***12%***

In 2016, operating costs, amounting to 128.2 million euro, increased by 17.8 million euro compared to 2015 although with an operating costs margin down from 4.21% in 2015 to 4.21% in 2016. Net of non recurring costs the operating cost margin shows a trend reversal decreasing from 4.07% to 4.06% as a consequence of higher sales.

In 2016 costs relating to business combinations implemented in Italy (EDSlan S.r.l. e Mosaico S.r.l.) and in Spain (Vinzeo Technologies S.A.U. e V-Valley Iberian S.L.U.) equal to 2.8 million euro, costs incurred by the parent company Esprinet S.p.A. for the enlargement of the logistic hub in Cavenago and by the subsidiary Esprinet Iberica S.L.U. for equipping the new warehouse in Saragoza equal to 1.1 million, as well as staff severance indemnities with respect to key personnel in the Group companies amounting to 0.8 million euro (0.6 million euro in 2015), were recognised as non-recurring item totalling 4.8 million euro.

The following table gives a detailed breakdown of the consolidated operating costs and their performance:

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**3,042,330**		**2,694,054**		**348,276**	***13%***
Sales & marketing personnel costs	40,231	*1.32%*	34,741	*1.29%*	5,490	*16%*
Other sales & marketing costs	9,640	*0.32%*	9,233	*0.34%*	407	*4%*
Sales & marketing costs	**49,871**	***1.64%***	**43,974**	***1.63%***	**5,897**	***13%***
Administr., IT, HR and general service personnel costs	25,287	*0.83%*	21,716	*0.81%*	3,571	*16%*
Directors' compensation	5,523	*0.18%*	4,824	*0.18%*	699	*14%*
Consulting services	6,487	*0.21%*	4,754	*0.18%*	1,733	*36%*
Logistics services	17,854	*0.59%*	15,104	*0.56%*	2,750	*18%*
Amortisation, depreciation and provisions	4,424	*0.15%*	2,957	*0.11%*	1,467	*50%*
Other overheads and administrative costs	18,721	*0.62%*	17,036	*0.63%*	1,685	*10%*
Overheads and administrative costs	**78,296**	***2.57%***	**66,391**	***2.46%***	**11,905**	***18%***
Totale SG&A	**128,167**	***4.21%***	**110,365**	***4.10%***	**17,802**	***16%***

Sales and marketing costs mainly include the following:

- costs relating to personnel working in the marketing, sales and Web functions, corresponding social security contributions and accessory charges;
- agents and other commercial freelance charges;
- management cost for the Cash and Carry shops.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP area, human resources, general services and logistic costs;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of the stock option plans;
- business consultancy, EDP consultancy to develop software and assistance with IT systems and payments to other consultants and free-lance personnel (for auditing services, real estate, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;
- depreciation of tangible fixed assets, goodwill write-downs, amortisation of intangible fixed assets (assets relating to logistic equipment and plants allocated by function to sales costs excluded) and also provisions for risks and write-downs;
- overheads and administrative costs, among which, leasing of premises, utilities, bank charges and commission, insurance, data connections and telephone costs.

Reclassification by nature of some categories of costs

For the purposes of providing more information, some categories of operating costs allocated by 'function' have been reclassified by 'nature'.

Group personnel cost

(euro/000)	2016	%	2015	%	Var.	*% Var.*
Sales	**3,042,330**		**2,694,054**		**348,276**	***13%***
Wages and salaries	39,643	1.30%	33,767	1.25%	5,876	*17%*
Social contributions	11,586	0.38%	10,012	0.37%	1,574	*16%*
Pension obligations	2,182	0.07%	2,001	0.07%	181	*9%*
Other personnel costs	991	0.03%	911	0.03%	80	*9%*
Employee termination incentives	1,079	0.04%	999	0.04%	80	*8%*
Share incentive plans	477	0.02%	381	0.01%	96	*25%*
Total labour costs [(1)]	**55,958**	**1.84%**	**48,071**	**1.78%**	**7,887**	***16%***

[(1)] Cost of temporary workers excluded.

At 31 December 2016 the labour costs amounted to 56.0 million euro, increasing by +16% (+7.9 million euro) compared to the previous year substantially in line with the increase in the average headcount of the Group (+18%) mostly due to the perimeter extension. In fact in Italy the following companies were established: EDSlan S.r.l., acquiring a business unit with 95 employees from the pre-existing EDSlan S.p.A. on 8 April, and Mosaico S.r.l. acquiring a business unit with 29 employees from Itway S.p.A. on 30 November.

In Spain, Vinzeo Technologies S.A.U. was acquired together with its 157 employees on 1 July, and on 30 November the newly established V-Valley Iberian S.L.U., acquired from Itway Iberica S.L.U. a business unit with 16 employees.

Besides, the cost increase results from a staff expansion also in the other Group companies, partially offset by lower charges due to both business reorganisation and disposal of the 'Rosso Garibaldi' business by Celly group, which both occurred in 2015.

Details of the Group's employees at 31 December 2016, status defined as per contract and company, can be found under section 'Human Resources' in the 'Directors' Report on Operations'.

Share incentive plans

On 30 June 2015, free stock grants under the Long Term Incentive Plan approved by the Shareholders' meeting dated 30 April 2015 were allotted.
Esprinet S.p.A. owned only 31.400 of the ordinary shares underlying the abovementioned Plan, with a face value of 0.15 euro each. Therefore during 2015 it acquired the remaining amount relating to the 646,889 rights granted.
This plan was booked at 'fair value' as at grant date by adopting the Black-Scholes method, taking into account the expected volatility, the foreseen dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at that date.

In the prior year, on 30 April 2015, a previous 'Long Term Incentive Plan' vested, which was approved by Esprinet S.p.A. Shareholders' Meeting of 9 May 2012, and which is also conditional upon the achievement of some revenue targets in the period 2012-2014, and the beneficiary being still employed by the Group at the date the 2015 Consolidated Financial Statements were presented.
On 19 May 2015 following the full achievement of the revenue objectives, no. 1,150,000 shares already available by the issuer have been delivered to the beneficiaries.

The main information items used in reporting the value of both the stock grant plans are summarized as follows:

	Plan 1	Plan 2
Allocation date	14/05/12	30/06/15
Vesting date	30/04/15	30/04/18
Expiry date	30/06/15	30/06/18
Total number of stock grant	1.150.000	1.150.000
Total number of stock grant allocated	1.150.000	646.889
Total number of stock grant allowed	1.150.000	646.889
Unit fair value (euro)	2,38	6,84
Total fair value (euro)	2.737.897	4.424.721
Risk free interest rate (BTP 3 years)	1,1% (1)	0,7% (2)
Implied volatility (260 days)	47,4% (1)	40,9% (2)
Duration (years)	3	3
Spot price (3)	2,64	7,20
Dividend yield	3,4%	1,7%

(1) Source: Bloomberg, 11 May 2012
(2) Source: Bloomberg, 29 June 2015
(3) Official price of Esprinet S.p.A. shares at assignment date.

Costs in the income statement relating to the abovementioned plans with contra entry in the item 'Reserve' of the Statement of Financial Position, totalled 477 thousand euro with reference to the employees (381 thousand euro in 2015, 73 thousand of which referring to the plan closed in the same year) and 926 thousand euro with reference to Board of Directors' members (694 thousand euro in 2015, 231 thousand of which referring to the plan expired on 30 April 2015).

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	2016	%	2015	%		% *Var.*
Sales	**3,042,330**		**2,694,054**		**348,276**	***13%***
Depreciation of tangible assets	3,419	0.11%	2,844	0.11%	575	*20%*
Amortisation of intangible assets	531	0.02%	493	0.02%	38	*8%*
Amort . & depreciation	**3,950**	**0.13%**	**3,337**	**0.12%**	**613**	***18%***
Write-downs of fixed assets	4	0.00%	-	0.00%	4	0%
Amort. & depr., write-downs (A)	**3,954**	**0.13%**	**3,337**	**0.12%**	**617**	***18%***
Accruals for risks and charges (B)	601	0.02%	722	0.03%	(121)	*-17%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**4,555**	**0.15%**	**4,059**	**0.15%**	**496**	***12%***

(euro/000)	2016	2015	Var.
Depreciation of tangible assets increasing the accumulated deprec.	3,419	2,860	559
Other recharges	-	(16)	16
Depreciation of tangible assets	**3,419**	**2,844**	**575**
Amortisation of intangible assets increasing the accumulated deprec.	531	506	25
Other recharges	-	(14)	14
Amortisation of intangible assets	**531**	**493**	**39**

Both depreciations and amortisations of assets contains the adjustments showed in the second table, useful in marching the values to the corresponding tables of asset movements.

Costs relating to operating leasing and future payments pertaining to leasing rentals and operating leasing are detailed in the tables below:

(euro/000)	2016	%	2015	%	Var.	*% Var.*
Sales	**3,042,330**		**2,694,054**		**348,276**	***13%***
Lease of buildings	8,982	0.30%	7,925	0.29%	1,057	*13%*
Lease of cars	1,665	0.05%	902	0.03%	763	*85%*
Lease of equipment	632	0.02%	341	0.01%	291	*85%*
Lease of data connection lines	213	0.01%	90	0.00%	123	*137%*
Cost Housing CED	183	0.01%	148	0.01%	35	*24%*
Leasing operating costs	**11,675**	**0.38%**	**9,406**	**0.35%**	**2,269**	***24%***

(euro/000)	2017	2018	2019	2020	2021	Over	Total
Lease of buildings	10,566	10,362	10,240	10,087	9,810	14,441	65,506
Lease of cars	1,422	1,146	837	294	32	-	3,731
Lease of equipment	446	192	54	21	15	-	728
Lease of data connection lines	212	135	56	62	-	-	465
Cost Housing CED	145	34	34	34	-	-	247
Leasing operating costs	**12,791**	**11,869**	**11,221**	**10,498**	**9,857**	**14,441**	**70,677**

42) Finance costs – net

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**3,042,330**		**2,694,054**		**348,276**	***13%***
Interest expenses on borrowings	2,309	0.08%	1,950	0.07%	359	*18%*
Interest expenses to banks	608	0.02%	527	0.02%	81	*15%*
Other interest expenses	16	0.00%	21	0.00%	(5)	*-24%*
Upfront fees amortisation	478	0.02%	410	0.02%	68	*17%*
Interest on shareholdings acquired	-	0.00%	343	0.01%	(343)	*-100%*
Financial charges for actualization	83	0.00%	-	0.00%	83	*NA*
IAS 19 expenses/losses	85	0.00%	66	0.00%	19	*30%*
IFRS financial lease interest expenses	-	0.00%	1	0.00%	(1)	*-100%*
Charges on payables for business combinations	4	0.00%	-	0.00%	4	*NA*
Derivatives ineffectiveness	3	0.00%	-	0.00%	3	*NA*
Total financial expenses (A)	**3,586**	**0.12%**	**3,317**	**0.12%**	**269**	***8%***
Interest income from banks	(154)	-0.01%	(336)	-0.01%	182	*-54%*
Interest income from others	(121)	0.00%	(156)	-0.01%	35	*-22%*
Income from payables for business combinations	(1,281)	-0.04%	-	0.00%	(1,281)	*NA*
Total financial income(B)	**(1,556)**	**-0.05%**	**(492)**	**-0.02%**	**(1,064)**	***>100%***
Net financial exp. (C=A+B)	**2,030**	**0.07%**	**2,825**	**0.10%**	**(795)**	***-28%***
Foreign exchange gains	(1,140)	-0.04%	(884)	-0.03%	(256)	*29%*
Foreign exchange losses	1,957	0.06%	2,302	0.09%	(345)	*-15%*
Net foreign exch. (profit)/losses (D)	**817**	**0.03%**	**1,418**	**0.05%**	**(601)**	***-42%***
Net financial (income)/costs (E=C+D)	**2,847**	**0.09%**	**4,243**	**0.16%**	**(1,396)**	***-33%***

The negative balance of 2.8 million euro between financial income and charges shows an improvement (-1.4 million euro) compared to the previous year.

The abovementioned trend was mainly due to 1.3 million gains arising from the valuation of the potential consideration for the purchase of the remaining 20% share in the subsidiary Celly S.p.A. as at 31 December 2016 (the same valuation as at 31 December 2015 had generated a charge amounting to 0.3 million euro), as well as to the positive impact of the foreign exchange management (+0.6 million euro), which recorded an exchange loss of 0.8 million euro in 2016 as compared to a loss of 1.4 million euro 2015.

On the other hand, net interest to banks, negative by 2.8 million euro as compared to 2.1 million in 2015, shows a worsening mainly as a consequence of an increase in the average debt levels to banks, only partially counterbalanced by a decline in rates as compared to previous year.

45) Income tax expenses

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**3,042,330**		**2,694,054**		**348,276**	***13%***
Current income taxes	5,892	0.19%	10,702	0.40%	(4,810)	***-45%***
Deferred income taxes	2,958	0.10%	1,504	0.06%	1,454	***97%***
Taxes	**8,850**	**0.29%**	**12,206**	**0.45%**	**(3,356)**	***-27%***

The following table illustrates the reconciliation between the theoretical and the effective tax rate:

(euro/000)	31/12/2016			31/12/2015		
	Group	Subgroup Italy	Subgroup Iberica	Group	Subgroup Italy	Subgroup Iberica
Profit before income taxes [A]	**35,720**	**24,642**	**11,241**	**42,247**	**30,522**	**11,752**
Opersting profit (EBIT)	**38,566**	**25,740**	**12,826**	**46,499**	**33,867**	**12,659**
(+) bad debt provision	1,058	1,058	-	353	353	-
(+) provision for risks and charges	486	486	-	599	599	-
Taxable am out for IRAP [B]	**40,110**	**27,284**	**-**	**47,451**	**34,819**	**-**
Theoretical taxation IRES Subgroup Italy (= A*27,5%)	6,732	6,777	-	8,386	8,394	-
Theoretical taxation IRAP Subgroup Italy (= B*3,9%)	1,064	1,064	-	1,358	1,358	-
Theoretical taxation on Subgroup Spain's income [A*25,0%·	2,828	-	2,828	3,291	-	3,291
Total theoretical taxation [C]	**10,623**	**7,841**	**2,828**	**13,035**	**9,751**	**3,291**
Theoretical tax rate[C/A]	***29.7%***	***31.8%***	***25.2%***	***30.9%***	***31.9%***	***28.0%***
(-) Tax on income from business combinations	(780)	(780)	-	-	-	-
(-) Tax relief - ACE (aiuto alla crescita economica)	(1,181)	(1,181)	-	(997)	(997)	-
(-) Change in Tax Rate	-	-	-	(65)	-	(65)
Other permanent differenced	188	148	46	233	239	(6)
Total effective taxation [D]	**8,850**	**6,027**	**2,874**	**12,206**	**8,993**	**3,220**
Effective tax rate [D/A]	***24.8%***	***24.5%***	***25.6%***	***28.9%***	***29.5%***	***27.4%***

The 'tax on income from business combinations' item refers to business unit acquisition by EDSlan S.r.l..

46) Net income and earnings per share

(euro/000)	2016	2015	Var.	% Var.
Net income	**26,870**	**30,041**	**(3,171)**	***-11%***
Weighed average no. of shares in circulation: basic	51,757,451	51,704,685		
Weighed average no. of shares in circulation: diluted	52,060,893	51,897,324		
Earnings per share in euro: basic	**0.52**	**0.59**	**(0.07)**	***-12%***
Earnings per share in euro: diluted	**0.51**	**0.58**	**(0.07)**	***-12%***

No own shares held in portfolio were used to calculate the 'basic' earnings per share.

The potential shares involved in the stock grant plan approved on 30 April 2015 by the Esprinet S.p.A. Shareholders' meeting, resulting in the free assignment of 646,889 rights to receive Esprinet S.p.A. ordinary shares, were used in the calculation of the 'diluted' profit per share.

8. Other significant information

8.1 Emoluments paid to the board members, statutory auditors and key managers

(euro/000)	Office	Term of office	Emoluments of office [(1)]	Bonuses and other benefits [(2)]	Non monetary benefits [(4)]	Other emoluments [(5)]	Total
Board of directors							
Francesco Monti	Chairman	2015/17	450	195	3	-	648
Maurizio Rota	Deputy Chairman and CEO	2015/17	450	292	4	-	746
Alessandro Cattani	CEO	2015/17	450	292	4	-	746
Valerio Casari	Director	2015/17	343	234	4	-	581
Marco Monti	Director	2015/17	30	-	-	18	48
Matteo Stefanelli	Director	2015/17	30	-	-	41	71
Tommaso Stefanelli	Director	2015/17	30	-	-	41	71
Mario Massari	Director [(3)]	2015/17	30	-	-	47	77
Chiara Mauri	Director [(3)]	2015/17	30	-	-	36	66
Cristina Galbusera	Director [(3)]	2015/17	30	-	-	36	66
Emanuela Prandelli	Director [(3)]	2015/17	30	-	-	-	30
Andrea Cavaliere	Director [(6)]	2015/17	30	-	-	-	30
			1,933	1,013	16	220	3,181
Board of Statutory Auditors							
Giorgio Razzoli	Chairman	2015/17	45	-	-	-	45
Patrizia Paleologo Oriundi	Standing Statutory Auditor	2015/17	40	-	-	-	40
Bettina Solimando	Standing Statutory Auditor	2015/17	40	-	-	-	40
			125	-	-	-	125
(I) Payments in company preparing financial statements			2,058	1,013	16	220	3,306
(II) Payments from subsidiaries and affiliates			-	-	-	-	-
(III) Total			2,058	1,013	16	220	3,306

(1) Solely in the case of the director Casari (CFO), the item also includes Remuneration from subordinate employment.
(2) Conditional upon achievement of targets linked to the consolidated economic and financial results of the Group. They consist of the bonus accruing in the year and from preceding years which are payable.
(3) Independent Director.
(4) Company car fringe benefit.
(5) Solely in the case of directors, this item includes payments for membership of Committees.
(6) Resigned on 20 February 2017.

The tables below detail no-equity variable compensation for members of the Board and other key management personnel (in thousands of euro):

Beneficiaries	Bonus of the year			Bonus from previous year		
	Due for payment / Paid	Deferred	Period	No longer eligible for payment	Payable/ Paid	Still deferred
Francesco Monti	133	3	2016	-	62	-
Maurizio Rota	200	5	2016	-	92	-
Alessandro Cattani	200	5	2016	-	92	-
Valerio Casari [(1)]	160	4	2016	-	74	-
Total	**693**	**17**		**-**	**320**	**-**

(1) Director.

In the above reported tables, information is provided regarding the emoluments of directors, statutory auditors of Esprinet S.p.A. and 'Key Managers', payable to them in respect of the positions held by them in the latter company and in other Group companies during the year.
As defined by accounting principle IAS 24 and quoted by Consob Resolution No. 17221 of 12 March 2010, 'key managers are those persons having authority and responsibility for planning, directing and controlling the activities of the entity preparing the financial statements, including any director (whether executive or otherwise) of that entity'.

The aforementioned compensation includes all paid or payable emolument items (gross of tax and social contribution withholdings) benefits in kind and compensation received as directors or statutory auditors for Group companies.

The table below illustrates the Incentive Plan based on financial instruments other than Stock options, to members of the Board of Directors and other key managers.

Beneficiaries	Options held at 1 January 2016		Options held in 2016	Options assigned (taken up) in 2016	Options held at 31 December 2016		
	Quantity	Average strike price	Quantity	Quantity	Quantity	Average strike price	Average due date
Maurizio Rota	131,578	Free	-	-	131,578		from 30/06/2015 to 30/04/2018
Alessandro Cattani	131,578	Free	-	-	131,578		
Valerio Casari [(1)]	120,614	Free	-	-	120,614		

(1) Director.

8.2 Relationships with related entities

Next tables summarise balances of the statement of financial position and of the separate income statement deriving from operations with related parties (as defined by IAS 24) except for relationships with members of the key management personnel because shown in the previous paragraph.
Operations between the Esprinet S.p.A. parent company and the subsidiaries included in the consolidation area have been eliminated from the consolidated financial statements and therefore do not figure in this section.

Relationships with 'other related parties'

The following table details operations occurred between Group companies and: - companies where Esprinet S.p.A. directors and shareholders play important roles; - key managers and their close members of the family.
Sales regard consumer electronics products sold at normal market conditions.
Services received mainly refer to leasing agreements entered into at market conditions in previous years with the real estate companies, Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of the Cavenago (MB) logistics site, respectively.
As shown in the previous table, the total value of the aforementioned transactions is not material compared to the total volume of the Company's activities, however.

(euro/000)	Type	2016				2015			
		Sales	Costs	Receiv.	Payab.	Sales	Costs	Receiv.	Payab.
Sales									
Infoklix S.p.A.	Sales of goods	-	-	2	-	-	-	2	-
Key managers and family	Sales of goods	15	-	7	-	18	-	4	-
Smart Res S.p.A.	Sales of goods	-				7			
Subtotal		**15**	**-**	**9**	**-**	**25**	**-**	**6**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Lease - premises	-	1,455	-	-	-	1,455	-	-
M.B. Immobiliare S.r.l.	Lease - premises	-	2,296	-	12	-	2,135	-	-
Immobiliare Selene S.r.l.	Overheads	-	7	-	-	-	7	-	-
M.B. Immobiliare S.r.l.	Overheads	-	24	-	-	-	14	-	-
Immobiliare Selene S.r.l.	Guarantee deposits	-	-	717	-	-	-	718	-
M.B. Immobiliare S.r.l.	Guarantee deposits	-	-	567	-	-	-	567	-
Subtotal		**-**	**3,782**	**1,284**	**12**	**-**	**3,611**	**1,285**	**-**
Finance costs - net									
Immobiliare Selene S.r.l.	Interests on guar. deposits	1	-	1	-	4	-	4	-
M.B. Immobiliare S.r.l.	Interests on guar. deposits	1	-	1	-	3	-	3	-
Subtotal		**2**	**-**	**2**	**-**	**7**	**-**	**7**	**-**
Total		**17**	**3,782**	**1,295**	**12**	**32**	**3,611**	**1,298**	**-**

As shown in the previous table, the total value of the aforementioned transactions is not material compared with the total volume of the Group's activities, however.

Relationships with associated companies

The following table details operations occurred with Assocloud S.r.l. and Ascendeo SAS:

(euro/000)	Type	2016				2015			
		Sales	Costs	Receiv.	Payab.	Sales	Costs	Receiv.	Payab.
Assocloud S.rl.	Charge expenses	-	-	-	-	71	-	156	-
Assocloud S.rl.	Lease fees	-	21	-	-	-	91	-	-
Assocloud S.rl.	Purchase of products	-	-	-	-	-	43	-	209
Assocloud S.rl.	Services costs	-	-	-	-	-	7	-	-
Ascendeo SAS	Sales of goods	-	-	-	-	49	-	6	-
Ascendeo SAS	Purchase of products	-	-	-	-	-	-	-	1
Ascendeo SAS	Services costs	-	6	-	5				
Total		**-**	**27**	**-**	**5**	**120**	**141**	**162**	**210**

With reference to Assocloud S.r.l. sold by Esprinet on 28 April 2016 the value of sales and expenses classified by nature and accrued at the date of sale was reported.
The abovementioned values refer to expenses and payables for services provided by Celly S.p.A. to Ascendeo SAS.

8.3 Cash flow analysis

As can be seen in the table below and illustrated in the Consolidated Statement of cash flows, as at 31 December 2016 the Esprinet Group posted a 105.4 million euro cash surplus, versus a 185.9 million euro cash surplus as at 31 December 2015.

(euro/000)	2016	2015
Net financial debt at start of the year	**(185,913)**	**(130,284)**
Cash flow provided by (used in) operating activities	34,413	74,058
Cash flow provided by (used in) investing activities	(105,981)	(14,695)
Cash flow provided by (used in) changes in net equity	(7,620)	(2,013)
Total cash flow	**(79,188)**	**57,350**
Unpaid interests	(1,301)	(1,721)
Net financial position at end of year	**(105,424)**	**(185,913)**
Short-term financial liabilities	151,885	29,314
Customers financial receivables	(5,596)	(507)
Current financial (assets)/liabilities for derivatives	483	195
Financial receivables from factoring companies	(1,492)	(2,714)
Cash and cash equivalents	(285,933)	(280,089)
Net current financial debt	**(140,653)**	**(253,801)**
Borrowings	28,833	65,138
Debts for investments in subsidiaries	8,660	5,222
Non-current financial (assets)/liab. for derivatives	28	224
Customers financial receivables	(2,292)	(2,696)
Net financial debt at start of the year	**(105,424)**	**(185,913)**

8.4 Net financial indebtedness and financial liabilities analysis

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, the net financial indebtedness (or ‘net financial position’ also) is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators recommendation of 10 February 2005: ‘CESR’s recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses nº 809/2004’ and referred to by Consob itself.

With reference to the same table, it should be underlined that the net financial indebtedness, measured according to the CESR criteria, coincides with the notion of ‘net financial debt’.

(euro/000)	31/12/2016	31/12/2015
A. Bank deposits and cash on hand	285,923	280,087
B. Cheques	10	2
C. Trading securities	-	-
D. Liquidity (A+B+C)	285,933	280,089
Financial assets for derivatives	-	-
Customer financial receivables	*5,596*	*507*
Financial receivables from factoring companies	*1,492*	*2,714*
E. Current financial receivables	7,088	3,221
F. Current bank debt	63,438	3,687
G. Current portion of non current debt	78,414	17,582
H. Other current financial debt and financial liability for derivatives	10,516	8,241
I. Current financial debt (F+G+H)	152,368	29,510
J. Net current financial indebtedness (I-E-D)	**(140,653)**	**(253,800)**
K. Non-current bank loans	28,833	65,138
L. Other financial receivables	(2,292)	(2,696)
M. Other financial debt & non-current financial liabilities for derivatives	8,688	5,446
N. Non-current financial indebtedness (K+L+M)	**35,229**	**67,888**
O. Net financial indebtedness (J+N)	**(105,424)**	**(185,913)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	151,885	29,314
Current financial (assets)/liabilities for derivatives	483	195
Other financial receivables	(5,596)	(507)
Financial receivables from factoring companies	(1,492)	(2,714)
Cash and cash equivalents	(285,933)	(280,089)
Net current financial debt	**(140,653)**	**(253,801)**
Non-current financial (assets)/liabilities for derivatives	28	224
Customers financial receivables	(2,292)	(2,696)
Debts for investments in subsidiaries	8,660	5,222
Borrowings	28,833	65,138
Net financial debt	**(105,424)**	**(185,913)**

The Group's net financial position, positive in the amount of 105.4 million euro, corresponds to a net balance of gross financial debts of 180.7 million euro, 'Financial receivables from factoring companies' totalling 1.5 million euro, Financial receivables toward others (Customer, time deposits, business combinations) for 7.9 million euro, 'Debts for investments' equal to 8.7 million euro, 'Cash and cash equivalents' equal to 285.9 million euro and 'Current financial liabilities for derivatives' of 0.5 million euro.

The liquid assets mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the Group's distinctive financial cycle.

A feature of this cycle is the high concentration of funds received from customers and factoring companies – the latter in the form of net income from the non-recourse assignment of trade receivables – normally received at the end of each calendar month, while payments to suppliers, also tending to be concentrated at the end of the period, are usually spread more equally throughout the

month. For this reason, the spot figure at the end of a period does not represent the net financial borrowings or the average treasury resources for the same period.

The without-recourse sale of account receivables revolving programme focusing on selected customer segments continued during 2016 both in Italy and in Spain as part of the processes aimed at the structural optimisation of the management of working capital. In addition, in July 2015 a securitization program of other trade receivables was started in Italy. This program is aimed at transferring risks and rewards to the buyer thus receivables sold are eliminated from balance sheet according to IAS 39. The overall effect on the levels of financial debt as at 31 December 2016 is approx. 400 million euro (approx. 287 million euro as at 31 December 2015).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year per each lender, regarding 'Subgroup Italy' and 'Subgroup Iberica', are illustrated below. It has to be noted that amounts can differ from the book value of loan principal since they represent the amortised cost calculated on the basis of the real interest rate.

(euro/000)	31/12/2016			31/12/2015			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Pool loan (ag. Banca IMI)	48,539	-	48,539	16,047	48,502	64,549	32,492	(48,502)	(16,010)
Intesa Sanpaolo (GdF loan)	386	2,252	2,638	368	2,636	3,004	18	(384)	(366)
Unicredit	10,252	256	10,508	-	10,000	10,000	10,252	(9,744)	508
Intesa Sanpaolo	1,252	3,256	4,508	1,000	4,000	5,000	252	(744)	(492)
BPM	337	85	422	-	-	-	337	85	422
Credem	-	-	-	167	-	167	(167)	-	(167)
Total Subgroup Italy	**60,766**	**5,849**	**66,615**	**17,582**	**65,138**	**82,720**	**43,184**	**(59,289)**	**(16,105)**
Banco Santander	5,996	7,295	13,291	-	-	-	5,996	7,295	13,291
Banco Sabadell	3,275	5,250	8,525	-	-	-	3,275	5,250	8,525
La Caixa	4,580	2,248	6,828	-	-	-	4,580	2,248	6,828
Banco Popular	1,066	2,922	3,988	-	-	-	1,066	2,922	3,988
Targobank	984	2,014	2,998	-	-	-	984	2,014	2,998
Kutxabank	1,498	750	2,248	-	-	-	1,498	750	2,248
Bankinter	-	2,000	2,000	-	-	-	-	2,000	2,000
Deutsche Bank	249	505	754	-	-	-	249	505	754
Total Subgroup Iberica	**17,648**	**22,984**	**40,632**	**-**	**-**	**-**	**17,648**	**22,984**	**40,632**
Total Group	**78,414**	**28,833**	**107,247**	**17,582**	**65,138**	**82,720**	**60,832**	**(36,305)**	**24,527**

8.5 Loans and loan covenants

The book value of loan principal of the loans granted to the Group is as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 9 yearly instalments by January 2022	2,696	3,085	(389)
Unsecured pool loan to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	48,750	65,000	(16,250)
Unsecured loan (agent: Unicredit) to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	10,000	10,000	-
Unsecured loan (agent: Intesa Sanpaolo) to Celly S.p.A. repayable in 1 six-monthly instalments by October 2020	4,000	5,000	(1,000)
Unsecured pool loan (agent: Credem) to Celly S.p.A. repayable in quarterly instalments by January 2016	-	167	(167)
Unsecured pool loan (agent: BPM) to EDSlan S.r.l. repayable in quarterly instalments by March 2018	422	-	422
Unsecured pool loan (agent: Unicredit) to EDSlan S.r.l. repayable in monthly instalments by December 2018	508	-	508
Unsecured pool loan (agent: Intesa) to EDSlan S.r.l. repayable in monthly instalments by December 2018	508	-	508
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by November 2017	2,500	-	2,500
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2018	5,000	-	5,000
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by November 2018	2,000	-	2,000
Unsecured pool loan (agent: Banco Santander) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2019	3,800	-	3,800
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by August 2017	1,525	-	1,525
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by July 2018	3,500	-	3,500
Unsecured pool loan (agent: Banco Sabadell) to Vinzeo S.A.U. repayable in six-monthly instalments by December 2019	3,500	-	3,500
Unsecured pool loan (agent: La Caixa) to Vinzeo S.A.U. repayable in yearly instalments by June 2017	2,333	-	2,333
Unsecured pool loan (agent: La Caixa) to Vinzeo S.A.U. repayable in yearly instalments by June 2018	4,500	-	4,500
Unsecured pool loan (agent: Banco Popular) to Vinzeo S.A.U. repayable in quarterly instalments by December 2019	4,000	-	4,000
Unsecured pool loan (agent: Targobank) to Vinzeo S.A.U. repayable in six monthly instalments by October 2019	3,000	-	3,000
Unsecured pool loan (agent: Kutxabank) to Vinzeo S.A.U. repayable in six-monthly instalments by January 2018	2,250	-	2,250
Unsecured pool loan (agent: Bankinter) to Vinzeo S.A.U. repayable in six-monthly instalments by December 2019	2,000	-	2,000
Unsecured pool loan (agent: Deutche Bank) to Vinzeo S.A.U. repayable in quarterly instalments by December 2019	755	-	755
Total book value of	**107,547**	**83,252**	**24,295**

The weighted average rate used during 2016 on the above loans was approx. 2.1% (approx. 2.4% in the previous year).

The loan agreement whose principal has a book value amounting to 48.8 million euro, consisting of a Term Loan Facility entered by Esprinet S.p.A. with a pool of banks, received in August 2014 and expiring within July 2019 and the loan agreement with a principal book value amounting to 10 million euro taken with Unicredit S.p.A. in July 2015 and expiring in July 2019, both are subject to the compliance of 3 covenants, the failure of which allow the issuing institutes to claim their immediate repayment. These covenants, which are subject to 6-monthly checks against the audited consolidated financial statements are listed as follows:

i) ratio between 'extended net financial indebtedness' and EBITDA;
ii) ratio between EBITDA and net financial charges
iii) amount of 'extended net financial indebtedness'

where 'extended net financial indebtedness' is the net financial indebtedness as measured in the previous paragraph Net financial indebtedness and financial liabilities analysis gross of financial receivables and of the impact of prepayments received from factoring companies within the 'without recourse' sale of account receivables programs or from other financial counterparts within account receivables securitisations.

In addition a Revolving Facility, entered into in the same date, and having the same maximum loan principal and maturity as the Term Loan Facility, drawn on average by 25.2 million euro during 2016 and used by 15.0 million euro at 31 December 2016. Main purpose of the Revolving Facility and of the Term Loan Facility is to support Group's financial needs by maintaining an adequate level of stability and flexibility of the financial structure.

At 31 December 2016 according to the management estimates (to be checked against the consolidated and audited financial statements), two covenants were not met. Accordingly, the loans were entirely classified under the 'current liabilities' following IFRSs standards.
As better detailed in the paragraph named 'Subsequent events' in the Directors' Report on Operations, on 28 February 2017 the Term Loan Facility and the Revolving Facility were entirely repaid when a new agreement was signed with a pool of banks (comprising 6 of the 8 lenders under the previous loans) for an amount up to 210.0 million euro aimed, among other things, at the repayment of the existing loans.
The lending banks had unanimously granted a waiver relating to these loans in July 2016 after the 40 million euro threshold in extraordinary transactions was exceeded, without formalising a prior consent by the 2/3 majority of them.

With respect to the loan taken with Unicredit S.p.A., a waiver will be formally requested to the granting institute, since it belongs to both the new and the old pool of banks.

The Group also shows other medium-long term loan agreement subject to covenants, as a consequence of Vinzeo Technologies S.A.U. acquisition. These covenants, which are subject to checks against the audited annual consolidated financial statements, largely met as at 31 December 2016, are listed below:

i) ratio of Net financial position to Net Equity, with respect to loans granted by Banco Santander and by Kutxabank for a residual principal amounting to 13.3 million and to 2.3 million respectively at 31 December 2016.
ii) ratio between Net financial position and EBITDA, with respect to the loan granted by Kutxabank only;

Loan contracts also contain the usual 'negative pledge', 'pari passu' and similar type clauses none of which were breached at the time this report was drafted.

8.6 Lines of credit

Apart from the uses described in the previous paragraphs, the Esprinet Group had a total 1,315 million euro (1,279 million euro ready money) at its disposal in bank credit lines as at 31 December 2016, subdivided as follows:

(euro/000)	Group	Subgroup Italy	Subgroup Iberica
Credit unblocking / import financing / credit lines	329,390	233,790	95,600
Medium/long-term borrowings	104,851	64,188	40,663
Endorsement credit	27,008	27,008	-
Factoring (trasferor) [1]	777,800	416,800	361,000
Bank overdrafts	2,304	1,762	542
Credit cards	687	600	87
Derivatives / forward currency transactions	8,082	7,935	147
Line revolving	65,000	65,000	-
Total	**1,315,122**	**817,083**	**498,039**

[1] Includes both with-recourse and without-recourse maximums.

The financial situation as at 31 December 2016, excluding the maximums granted by the banks for a without-recourse factoring scheme with a revolving credit facility and endorsement loans, shows that a total 29% (22% in the previous year) of credit lines was used, as can be seen in the table below:

(euro/000)	Uses %	Uses gross	Credit lines
Credit unblocking / import financing / credit lines	10%	32,908	329,390
Medium/long-term borrowings	100%	104,851	104,851
Line revolving	23%	15,000	65,000
Bank overdrafts	24%	542	2,304
Factoring (trasferor) - with recourse	8%	2,388	31,300
Total Group	**29%**	**155,689**	**532,845**

Maintaining short-term credit lines with contained usage rates and high flexibility of usage is the main liquidity risk management method used by the Group.

8.7 Seasonal nature of business

The table below highlights the impact of sales per solar quarter in the years 2016 and 2015:

	2016			2015		
	Group	Italy	Iberica	Group	Italy	Iberica
Sales Q1	20.2%	23.2%	14.6%	22.9%	24.2%	19.3%
Sales Q2	20.7%	23.4%	15.7%	23.0%	23.5%	21.6%
Sales H1	**40.9%**	**46.6%**	**30.3%**	**45.9%**	**47.7%**	**40.9%**
Sales Q3	22.4%	20.0%	27.0%	21.1%	20.5%	23.0%
Sales Q4	36.7%	33.4%	42.7%	33.0%	31.8%	36.0%
Sales H2	**59.1%**	**53.4%**	**69.7%**	**54.1%**	**52.3%**	**59.1%**
Sales for the year	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The IT and electronic markets both in Italy and in Spain are traditionally characterised by seasonal sales which involve an increase in demand in the fourth quarter of the solar year essentially in terms of purchases concentrated in the pre-Christmas and in the so-called 'back-to-school' seasons to consumers and by the spending dynamics of budgets dedicated to IT investments which are statistically concentrated around the months of November and December.

The seasonable nature of IT and electronics sales has an influence both on the business volumes of the distribution industry and on the sales volumes of the Esprinet Group.
The winter trend provides a contrast to the drop in demand in the summer months, in August, in particular. As a result of the increasing reluctance to suspend work during the summer months, this last trend also appears to be re-dimensioning, in the business sector in particular.

In addition to the above, operating results are also seasonal, but even more so than those of sales since the absolute profit margin levels track the seasonal nature of sales, while overheads tend to be more regular during the year.
The seasonal nature of sales described above also has an influence on the part of the levels of borrowings that is closely linked to working capital needs, which peak in the last part of each solar year.

The level of net borrowings fluctuates dramatically not only along the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month.
For this reason, the figure resulting at the end of the period, or at the end of each month, is not much representative of the average net financial indebtedness customarily observable during the same period.

The circumstances described above give rise to higher financial and commercial risk levels for the Group compared with businesses which are less subject to seasonable fluctuations.

8.8 Non-recurring significant events and operations

In 2016 the following non-recurring items were identified:

- 2.8 million gain arising from the asset deal relating to distribution activities in networking, cabling, VoIP and UCC- unified communications sectors by the newly established company, EDSlan S.r.l., from the pre-existing company EDSlan S.p.A.;
- miscellaneous costs amounting to 2.8 million euro for consultancy, commissions and registration fees relating to business combinations both in Italy (EDSlan S.r.l. and Mosaico S.r.l.) and in Spain (Vinzeo Technologies S.A.U. and V-Valley Iberian S.L.U.);
- expenses occurred in Italy relating to the enlargement of the logistic hub in Cavenago and to the new warehouse setting-up in Saragoza - Spain, totalling 1.1 million euro.

- key personnel termination indemnities in the Group companies (equal to 0.8 million euro).

During 2015, key personnel termination indemnities of Group companies (for 0.7 million euro) and the impact of the tax rate cuts on deferred tax assets and liabilities were displayed as non-recurring costs.

The following table shows the impact of the above said events and transactions on the income statement (including the related tax effects):

(euro/000)	Charge type	2016	2015	Var.
Other income	Income from business combinatios	2,838	-	2,838
		2,838	**-**	**2,838**
Overheads and administrative costs	Transaction costs from business combination	(2,824)	-	(2,824)
	Extension warehouse costs	(1,120)	-	(1,120)
	Employee termination incentives	(810)	(657)	(153)
Total SG&A		**(4,754)**	**(657)**	**(4,097)**
Operating income (EBIT)		**(1,916)**	**(657)**	**(1,259)**
Profit before income taxes		**(1,916)**	**(657)**	**(1,259)**
Income tax expenses	Changes in Spanish tax rate on initial losses	-	92	(92)
	Non-recurring events	1,411	200	1,211
Net income/(loss)		**(505)**	**(365)**	**(140)**
Of which attributable to non-controlling interests		-	(27)	27
Of which attributable to Group		**(505)**	**(392)**	**(113)**

8.9 Main disputes pending

Developments in existing legal and tax-related disputes can be found in a similar section under the comment to the statement of financial position item 'Non-current provisions and other liabilities' in the 'Notes to the consolidated financial statements'.
Similarly, the 'Directors' Report on Operations' also contains the Group's policies regarding the management of legal and tax-related disputes under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.'.

8.10 Derivatives analysis

Disclosures regarding operations relating to derivative instruments can be found under the chapter 'Disclosures on risks and financial instruments'.

8.11 Compensation for Group auditing services

The following table drafted pursuant to Article 149-duodecies of the Consob Issuing Regulation, shows the emoluments posted during the 2016 financial year on the accrual basis of accounting for auditing services and others performed by the same auditing company and/or bodies belonging to its network:

Description	Provider of service	Fees (euro/000)	
		2016	2015
Auditing services:			
Examination of the annual accounts of one single company, accompanied by professional opinion	EY [(1)]	335.7	231.6
Examination of the annual consolidated accounts of a group of companies accompanied by professional opinion	EY [(1)]	35.3	22.8
Quarterly examination of accounts of one single company or group of companies during the year	EY [(1)]	42.9	39.7
Subtotal		**413.9**	**294.1**
Other services:			
Services other then auditing	EY [(2)]	51.7	25.3
Subtotal		**51.7**	**25.3**
Total		**465.7**	**319.4**

[(1)] EY S.p.A. – Milan.
[(2)] EY Financial – Business Advisors S.p.A..

9. Publication of the Draft Annual Report

The draft annual report and its publication were approved by the Esprinet Board of Directors during the meeting of 21 March 2017, which also authorised the Chairman to make any necessary or appropriate changes or additions to the structure of the document, in order to complete or improve it in any of its parts.

Vimercate, 21 March 2017

Of behalf of the Board of Directors
The Chairman
Francesco Monti

Statement on the 'Consolidated financial statements' pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Pietro Aglianò, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the consolidated financial statements relating to the year 2016 were:

- appropriate to the features of the Group
- effectively applied.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the consolidated financial statements at 31 December 2016 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.
No significant aspects emerged.

3. We further declare that:

3.1 the consolidated financial statements as at 31 December 2016:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
b) correspond to the amounts shown in the Company's accounts, books and records;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company and its consolidated subsidiaries.

3.2 The Directors' Report on Operations includes a reliable operating and financial review of the Company and of the Group as well as a description of the main risks to which they are exposed.

Vimercate, 21 March 2017

Chief Executive Officer of Esprinet S.p.A.	Executive charged with drafting the Esprinet S.p.A. accounting documents
(Alessandro Cattani)	(Pietro Aglianò)

esprinet®

Esprinet S.p.A. Separate Financial Statements 2016

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[1] Esprinet S.p.A. separate financial statements, as defined by international accounting principles IFRSs

Statement of financial position

The table below shows the Esprinet S.p.A. statement of financial position drawn up according to IFRS requirements[19]:

(euro)	Note	31/12/2016	31/12/2015
ASSETS			
Non-current assets			
Property, plant and equipment	1	11,463,636	9,957,735
Goodwill	2	10,625,555	10,625,555
Intangible assets	3	1,252,439	610,288
Investments in associates	5	-	8,938
Investments in others		92,420,307	85,687,874
Deferred income tax assets	6	1,974,534	2,368,467
Derivative financial assets	8	376,617	368,706
Receivables and other non-current assets	9	6,513,739	7,135,744
		124,626,827	**116,763,307**
Current assets			
Inventory	10	207,876,090	211,620,078
Trade receivables	11	190,145,629	162,617,542
Income tax assets	12	4,543,177	3,295,773
Other assets	13	216,952,810	95,242,977
Cash and cash equivalents	17	80,108,534	205,992,990
		699,626,240	**678,769,360**
Non-current assets held for sale		-	
Total assets		**824,253,067**	**795,532,667**
EQUITY			
Share capital	19	7,860,651	7,860,651
Reserves	20	280,644,835	264,163,686
Net income for the period	21	12,738,421	22,943,215
		301,243,907	**294,967,552**
Total equity		**301,243,907**	**294,967,552**
LIABILITIES			
Non-current liabilities			
Borrowings	22	2,251,651	61,137,828
Derivative financial liabilities	23	-	224,060
Deferred income tax liabilities	24	2,354,315	2,247,565
Retirement benefit obligations	25	3,682,051	3,587,236
Provisions and other liabilities	26	1,684,945	1,745,218
		9,972,962	**68,941,907**
Current liabilities			
Trade payables	27	381,221,026	387,748,582
Short-term financial liabilities	28	118,778,859	26,196,705
Income tax liabilities	29	-	36,118
Derivative financial liabilities	30	428,302	195,375
Provisions and other liabilities	32	12,608,011	17,446,428
		513,036,198	**431,623,208**
Total liabilities		**523,009,160**	**500,565,115**
Total equity and liabilities		**824,253,067**	**795,532,667**

[19] Pursuant to CONSOB Resolution n.15519 of 27 July 2006, the effects of relationships with related parties on the Esprinet S.p.A. statement of financial position items can be found in the statement of financial position in the next pages and commented on in the 'Notes to the Esprinet S.p.A. financial statements'.

Separate income statement

The Esprinet S.p.A. separate income statement is set out below. It is drawn up according to IFRS requirements and expenses are classified by 'function'[20]:

(euro)	Note	2016	2015
Sales	33	**1,951,845,407**	**2,015,160,797**
Cost of sales		(1,848,573,683)	(1,901,464,128)
Gross profit	35	**103,271,724**	**113,696,669**
Sales and marketing costs	37	(30,203,753)	(29,456,817)
Overheads and administrative costs	38	(53,555,654)	(49,803,175)
Operating income (EBIT)		**19,512,317**	**34,436,677**
Finance costs - net	42	(1,909,383)	(1,988,869)
Other investments expenses/(incomes)	43	-	(19,355)
Profit before income taxes		**17,602,934**	**32,428,453**
Income tax expenses	45	(4,864,513)	(9,485,238)
Net income		**12,738,421**	**22,943,215**
- of which attributable to non-controlling interests		-	-
- of which attributable to Group		12,738,421	22,943,215

Statement of comprehensive income

(euro)	2016	2015
Net income	**12,738,421**	**22,943,215**
Other comprehensive income:		
- Changes in 'cash flow hedge' equity reserve	(12,797)	(156,695)
- Taxes on changes in 'cash flow hedge' equity reserve	16,666	43,091
Other comprehensive income not to be reclassified in the separate income statement		
- Changes in 'TFR' equity reserve	(135,927)	199,358
- Taxes on changes in 'TFR' equity reserve	29,651	(54,823)
Other comprehensive income	**(102,407)**	**30,931**
Total comprehensive income	**12,636,014**	**22,974,146**
- of which attributable to Group	12,636,014	22,974,146
- of which attributable to non-controlling interests	-	-

[20] Pursuant to the CONSOB Resolution n.15519 of 27 July 2006, the effects of relationships with related parties on the Esprinet S.p.A. income statement items can be found in the separate income statement in the next pages and commented on in the 'Notes to the Esprinet S.p.A. financial statements'.

Statement of changes in equity

(euro/000)	Share capital	Reserves	Own shares	Profit for the period	Total net equity
Balance at 31 December 2014	7,861	247,731	(13,070)	39,597	282,119
Total comprehensive income/(loss)	-	31	-	22,943	22,974
Allocation of last year net income/(loss)	-	33,194	-	(33,194)	-
Dividend payment	-	-	-	(6,403)	(6,403)
Transactions with owners	-	33,194	-	(39,597)	(6,403)
Assignment of Esprinet own shares	-	(9,985)	7,925	-	(2,060)
Other changes	-	1	-	-	1
Increase/(decrease) in 'stock grant' plan reserve	-	(1,662)	-	-	(1,662)
Balance at 31 December 2015	7,861	269,310	(5,145)	22,943	294,968
Total comprehensive income/(loss)	-	(102)	-	12,738	12,636
Allocation of last year net income/(loss)	-	15,180	-	(15,180)	-
Dividend payment	-	-	-	(7,764)	(7,764)
Transactions with owners	-	15,180	-	(22,943)	(7,764)
Changes in 'stock grant' plan reserve	-	1,404	-	-	1,404
Balance at 31 December 2016	7,861	285,790	(5,145)	12,738	301,244

Statement of cash flows[21]

(euro/000)	2016	2015
Cash flow provided by (used in) operating activities (D=A+B+C)	**(43,324)**	**59,924**
Cash flow generated from operations (A)	**23,645**	**37,940**
Operating income (EBIT)	19,512	34,437
Depreciation, amortisation and other fixed assets write-downs	2,709	2,708
Net changes in provisions for risks and charges	(60)	1
Net changes in retirement benefit obligations	172	(236)
Stock option/grant costs	1,312	1,030
Cash flow provided by (used in) changes in working capital (B)	**(60,049)**	**33,736**
Inventory	3,744	(23,607)
Trade receivables	(27,528)	6,945
Other current assets	(26,430)	(4,829)
Trade payables	(6,492)	50,632
Other current liabilities	(3,343)	4,595
Other cash flow provided by (used in) operating activities (C)	**(6,920)**	**(11,752)**
Interests paid, net	(434)	(96)
Foreign exchange (losses)/gains	(468)	(839)
Income taxes paid	(6,018)	(10,817)
Cash flow provided by (used in) investing activities (E)	**(11,429)**	**(14,203)**
Net investments in property, plant and equipment	(3,912)	(3,997)
Net investments in intangible assets	(945)	(166)
Changes in other non current assets and liabilities	151	(3,147)
Celly business combination	-	(1,990)
Esprinet Portugal establishment	-	(50)
EDSlanl establishment	(6,540)	-
Mosaico establishment	(100)	-
Investment increase from 'stock grant' to subsidiaries	(92)	(46)
Investments in controlled subsidiaries	9	(10)
Share buyback	-	(4,797)
Cash flow provided by (used in) financing activities (F)	**(71,131)**	**(16,776)**
Medium/long term borrowing	-	10,000
Repayment/renegotiation of medium/long-term borrowings	(16,638)	(373)
Net change in financial liabilities	49,361	(4,727)
Borrowed due within 12 months granted	(96,500)	(15,000)
Net change in financial assets and derivative instruments	379	(205)
Dividend payments	(7,764)	(6,403)
Increase/(decrease) in 'cash flow edge' equity reserve	(61)	(114)
Increase in 'stock grant' plan reserve to subsidiaries	92	46
Net increase/(decrease) in cash and cash equivalents (G=D+E+F)	**(125,884)**	**28,945**
Cash and cash equivalents at year-beginning	**205,993**	**177,048**
Net increase/(decrease) in cash and cash equivalents	**(125,884)**	**28,945**
Cash and cash equivalents at year-end	**80,109**	**205,993**

[21] No effects of relationships with related parties have been considered significant.

Statement of financial position (Pursuant to Consob Resolution No. 15519 of 27 July 2006)

(euro/000)	31/12/2016	related parties	31/12/2015	related parties
ASSETS				
Non-current assets				
Property, plant and equipment	11,464		9,958	
Goodwill	10,626		10,626	
Intangible assets	1,252		610	
Investments in associates	-		9	
Investments in others	92,420		85,688	
Deferred income tax assets	1,975		2,368	
Derivative financial assets	377		369	
Receivables and other non-current assets	6,513	1,286	7,135	1,285
	124,627	**1,286**	**116,763**	**1,285**
Current assets				
Inventory	207,876		211,620	
Trade receivables	190,146	9	162,618	13
Income tax assets	4,543		3,296	
Other assets	216,952	194,372	95,243	81,517
Cash and cash equivalents	80,109		205,993	
	699,626	**194,381**	**678,770**	**81,530**
Non-current assets held for sale	-			
Total assets	**824,253**	**195,667**	**795,533**	**82,815**
EQUITY				
Share capital	7,861		7,861	
Reserves	280,645		264,164	
Net income for the period	12,738		22,943	
	301,244		**294,968**	
Total equity	**301,244**		**294,968**	
LIABILITIES				
Non-current liabilities				
Borrowings	2,252		61,138	
Derivative financial liabilities	-		224	
Deferred income tax liabilities	2,354		2,248	
Retirement benefit obligations	3,682		3,587	
Provisions and other liabilities	1,685		1,745	
	9,973		**68,942**	
Current liabilities				
Trade payables	381,221		387,749	-
Short-term financial liabilities	118,779		26,197	
Income tax liabilities	-		36	
Derivative financial liabilities	428		195	
Provisions and other liabilities	12,608	1,244	17,446	1324
	513,036	**1,244**	**431,623**	**1,324**
Total liabilities	**523,009**	**1,244**	**500,565**	**1,324**
Total equity and liabilities	**824,253**	**1,244**	**795,533**	**1,324**

For further details regarding related parties please see the section 'Relationships with related parties' in the 'Notes to Esprinet S.p.A. financial statements'.

Separate income statement (Pursuant to Consob Resolution No. 15519 of 27 July 2006)

(euro/000)	2016	non-recurring	related parties*	2015	non-recurring	related parties*
Sales	1,951,845	-	50,520	2,015,161	-	43,441
Cost of sales	(1,848,573)	-	(2,585)	(1,901,464)	-	(1,858)
Gross profit	103,272	-		113,697	-	
Sales and marketing costs	(30,204)	-	(1,438)	(29,457)	-	(1,198)
Overheads and administrative costs	(53,556)	(3,447)	(1,722)	(49,803)	(322)	(1,652)
Operating income (EBIT)	19,512	(3,447)		34,437	(322)	
Finance costs - net	(1,909)	-	1,144	(1,989)	-	766
Other investments expenses/(incomes)	-	-	-	(19)	-	-
Profit before income tax	17,603	(3,447)		32,429	(322)	
Income tax expenses	(4,865)	1,064	-	(9,486)	187	-
Net income	12,738	(2,383)		22,943	(135)	
- of which attributable to non-controlling interests	-			-		
- of which attributable to Group	12,738	(2,383)		22,943	(135)	

* Emoluments to key managers excluded.

Notes to the Esprinet S.p.A. financial statements

1. General information

Esprinet S.p.A. (or the 'Company') distributes IT products (hardware, software and services) pitching itself at a customer base made up of resellers that in turn target both consumer and business users. It is also the parent company with both direct and indirect shareholdings in companies operating in Italy, Spain and Portugal.

In Italy and in Iberian Peninsula, the Group operates solely in the 'business-to-business' (B2B) distribution of Information Technology (IT) and consumer electronics.

Esprinet S.p.A. has its registered and administrative offices in Italy at Vimercate (Monza e Brianza).
Ordinary shares in Esprinet S.p.A. (ticker: PRT.MI) have been listed in the STAR segment of the MTA market of Borsa Italiana S.p.A., the Italian Stock Exchange since July 27, 2001.
The parent company, Esprinet S.p.A. drafted the Esprinet Group consolidated financial statements as at 31 December 2016.

2. Accounting principles and valuation criteria

The principal accounting policies applied in the preparation of these Esprinet S.p.A. financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

2.1 Accounting principles

The Esprinet S.p.A financial statements (or 'separate financial statements' as defined by IFRS) as at 31 December 2016 have been drawn up in compliance with IFRS requirements issued by the

International Accounting Standards Board (IASB) and approved by the European Union, as well as the regulations issued as per art. 9 of D. Lgs. n. 38/2005.
The acronym IFRS stands for the International Financial Reporting Standards (IFRS), which include the recent evolution of the International Accounting Standards (IAS) and all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements have been drawn up using the historical cost, except for the assessment of some financial instruments, where the fair value criteria are applied, and also the going concern presumption.

2.2 Presentation of financial statements

The presentation formats of the financial position and income and cash-flow statements have the following characteristics:

- statement of financial position: current and non-current assets and current and non-current liabilities are reported separately;
- statement of comprehensive income: income statement and statement of comprehensive income are reported in two different statements;
- separate income statement: costs have been analyzed by function;
- statement of cash flows: drawn up as per the indirect method set out in IAS 7.

The choices made in terms of the presentation of the statement of accounts derive from the conviction that these contribute to an improvement in the quality of the information provided.

The figures presented in the separate and comprehensive income statements and in the statement of financial position are expressed in euro, whereas those in the statement of cash flows are expressed in thousands of euro.
Furthermore, in some cases the tables might have some inaccuracies due to the rounding-up to thousands.

2.3 Summary of significant valuation criteria and accounting policies

Non-current assets

Intangible assets and goodwill

Intangible assets are assets that have no identifiable physical nature, that are controlled by the company and that are able to generate future income.

They include goodwill, when it is acquired for a consideration.
Intangibles and goodwill deriving from business combinations occurred until the end of 2009 are recorded at purchase cost, including incidentals and necessary costs to make them available for use.
For business combinations occurred from 1 January 2010, except some particular cases, goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred compared to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (any costs directly attributable to the combination, except costs of issuing debt or equity instruments, are expensed).
Intangible assets with a defined useful life are systematically amortized over their useful life, taken as the estimate of the period that the assets shall be used by the Group. In particular the item 'Industrial and other patent rights' is amortized within three years.

Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but are subject to an annual impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. The increased carrying amount of an intangible asset with defined or indefinite useful life attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognized for the asset in prior years. This reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Revaluation of goodwill is not permitted, even in application of specific laws, as it is not reinstated when the reasons for a write-down no longer apply.

Tangible assets

Property, plant and equipment are shown in the financial statements at purchase or production cost, or at their conveyance value, including any directly attributable incidental costs and costs deemed necessary to make them operable.
Ordinary maintenance and repair costs are charged to the income statement for the year in which they are incurred. Extraordinary maintenance costs leading to a significant and tangible increase in the productivity or useful life of an asset are added to the value of the asset concerned and amortized over a period representing its remaining useful life.
Costs for leasehold improvements are entered under their relevant tangible assets category.

Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life.
Fixed assets are systematically depreciated every year, in line with depreciation schedules drawn up to reflect the remaining usefulness of the assets concerned. The value reported in the statement of financial position is shown net of accumulated depreciation according to the remaining possible use of the asset.

The depreciation rates, substantially unchanged compared to the previous year, applied for each asset category are detailed as follows:

	Economic - technical rate
Security systems	25%
Generic plants	from 10% to 19%
Conditioning plants	from 13% to 14,3%
Telephone systems and equipment	20%
Communication and telesignal plants	25%
Industrial and commercial equipment	from 7,1% to 14%
Electronic office machines	20%
Furniture and fittings	11%
Other assets	from 10% to 19%

If there are indications of a decline in value, assets are subjected to an impairment test. The Impairment test is described below in the section entitled 'Impairment of non-financial assets'. When the reasons for a write-down no longer apply, the asset's cost may be reinstated. The increased carrying amount attributable to the reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. This reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case it is treated as a revaluation increase.

Leasing transactions

Assets acquired through financial leases are registered under property, plant and equipment, and are entered at the lower of the market value and the value obtained by time-discounting the rents and redemption price determined at the time the contract is signed. The relevant liability is entered under 'Financial liabilities'.
The leases, in which the lessor substantially maintains the risks and benefits associated with the ownership of assets, are itemized as operating leasing. The earnings (costs) emerging from operating leasing are entered straight-line in the income statement during the life of the leasing contract.

Impairment of non-financial assets

IAS 36 requires the testing of property, plant and equipment and intangible assets for impairment when there are indications that impairment has occurred. In the case of goodwill, other assets with indefinite lives and investments in subsidiaries, associates and other companies, this test must be conducted at least annually.

In the case of goodwill, Esprinet S.p.A. carries out the impairment tests foreseen by IAS 36 in respect of all cash generating units to which goodwill has been allocated.
The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater. Value in use is the present value of future cash flows expected to be derived from an asset or a Cash Generation Unit (CGU) and from its disposal at the end of its useful life. CGUs have been identified within the Company's organizational and business structure as homogeneous groups of assets that generate cash inflows independently through the continued use of the assets included in each group.

With reference to the investments in subsidiaries and in associated companies, in case of dividend distribution, the following should also be considered as 'impairment indicators':

- Investment in subsidiary book value in the financial statement exceeding the consolidated carrying amount of the subsidiary net asset (possible connected goodwill included);
- The dividend exceeding the total comprehensive income of the subsidiary in the period to which the dividends refer.

Investments in subsidiaries and other companies

Investments in subsidiaries, associates and other companies are valued at acquisition or subscription cost.
Cost is reduced for long-term losses, where investments have endured losses and are not expected – in the immediate future at least – to realize profits that will be such to absorb the losses incurred; the original value is restored in later years, should the reasons for a given write-down cease to exist.
Positive balances arising at the time of acquisition between the acquisition cost and the quota of net equity of the company invested in and belonging to the company at current values, is therefore included in the value charged to the investment.

Deferred income tax assets

Deferred income tax assets are recorded at face value. They are entered in the books when their recovery is deemed probable. See also the comment under item 'Income taxes'.

Financial assets

Receivables and financial fixed assets that will be held until their maturity are stated at the cost represented by the fair value of the initial payment given in exchange, increased by the costs of the transaction (e.g. commissions, consultancy fees, etc.). The initial statement value is subsequently modified to take into account any capital repayments, write-downs and amortization of the difference between the reimbursement value and the initial statement value. The amortization is

carried out based on the effective internal rate which is the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial statement (so-called amortized cost method).

Financial assets destined for negotiation and financial assets available for sale are stated at fair value with the effect accounted in the income statement item 'Finance income/(cost)' and the Shareholders' Equity item 'Other reserves' respectively.
When the purchase or sale of a financial asset foresees the payment for the transaction and the delivery of the asset within a set number of days, established by the market authorities or by convention (e.g. purchase of shares on regulated markets), the transaction is stated at the payment date.
Financial assets that are sold are eliminated from the assets when the right to receive cash flow is transferred together the risks and benefits associated with the ownership of that asset.
At each reporting date the Company assess whether there is any indication that a financial asset or a group of financial assets may be impaired.

Current assets

Inventory

Stock is taken at the lower of acquisition cost and realisable value, as obtained from market trends, whilst taking into account the features peculiar to the target sector of the Company concerned, which sells mainly IT products and consumer electronics that rapidly become obsolete.
The configuration of cost adopted when valuating stock is based on the FIFO method of accounting.
Purchase cost considers additional expenses as well as any discounts and allowances granted by vendors, in accordance with the sector's standard business practice, in relation to predetermined sales targets being achieved and marketing activities being adequately developed in order to promote the brands being distributed and to develop the sales channels utilised. Cost includes 'price protections' on inventories granted by suppliers on the purchasing prices.
Obsolete and surplus stock and stock characterised by slow turnover is written down to reflect the chances of selling it.

Trade and other receivables

Trade and other receivables are initially stated at 'fair value'.
After first appraisal, receivables are stated at the amortised cost based on the real IRR (Internal Rate of Return), that is, the rate that renders the current value of expected cash flows and the initial statement value identical at the moment of the initial appraisal (so-called amortised cost method).
The amount obtained using the amortised cost method, is then reduced to the realisable amount in the case of loss occurring.
Write-downs are determined by considering the solvency of individual creditors, the insurance coverage and the level of credit risk, based on the available information and accumulated historical experience.

Receivables assigned without recourse can be de-recognized only when they meet the de-recognition requirements of IAS 39.

Income tax assets

Current taxation assets are stated at fair value; they include all those assets that are taxable by the Tax Authorities or that can be financially compensated in the short term. See also the comment under item 'Income taxes'.

Other current assets

Other current assets are stated at the lesser of the cost and the net realisable value.

Cash and cash equivalents

Cash in hand includes all liquid funds and deposits in bank accounts that are immediately available, as well as other liquidity with a duration of less than three months.
The liquid funds in euro are stated at their face value, while liquid funds in other currencies are stated at the current exchange rate at the end of the year.

Net equity

Own shares

Own shares are stated at cost and deducted from equity. In the case of any subsequent sale, the difference between the cost of own shares and the selling price is recognized in equity.

Current and non-current liabilities

Short-term financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.
Financial liabilities are initially stated at fair value, to which any eventual costs related to the transaction are added. Afterwards, financial liabilities are stated at the amortized cost using the actual interest rate for the discount calculation.
Financial liabilities are removed from the income statement once the obligation specified in the contract has been fulfilled, cancelled or expired. The difference between the book value of the financial liability which is paid off or transferred to another party and the sum paid is reported in the income statement.
The fair value of a financial asset or liability quoted in an active market is defined, at each reporting date, in terms of the quoted market price or of the dealers' price ('bid price' for asset held or liability to be issued, 'asking price' for an asset to be acquired or a liability held), without any deduction for transaction costs. If the market for a financial instrument is not active the fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions for risks and charges

Provisions are made when: (i) there is the probable existence of an obligation, be it actual, legal or implicit, due to past events; (ii) it is probable that the fulfilment of the obligation be against payment; (iii) the amount of the obligation can be reasonably ascertained. The provisions are stated at the value that represents the best estimate of the amount that the company would reasonable paid for settling the obligation or transferring it to third parties at year end. Where there is a significant financial effect over time and the payment date of the obligations can be reasonably estimated, the provisions are actualised; the increase in the provisions linked to the passing of time is stated in the separate income statement in the item 'Finance costs'.

Staff post-employment benefits

Staff post-employment benefits are defined on the basis of plans which even though not yet official are called either 'fixed contribution' or 'defined benefit' plans, depending on their characteristics.

In the 'fixed contribution' plans the obligation of the company, limited to the payment of contributions to the State or entity or a distinct legal authority (fund), is calculated on the basis of the contributions owed. Until the 2007 Financial Law and relative enforcing decrees came into force, the uncertainty regarding payment times meant that staff severance indemnity (TFR) was likened to a defined benefit plan.
Following the reform, the allocation of accruing staff severance indemnity quotas to the pension fund or to INPS, the Italian Social Security body, caused the transformation of the plan into a fixed contribution plan, where the company's obligation is exclusively the payment of the contributions either to the fund or to INPS.
Liabilities relating to past staff severance indemnity still represent a defined benefits plan calculated by independent actuaries using an actuarial-type method.
Since 2013 actuarial profits and losses, deriving from changes to actuarial hypotheses, are reported in an appropriate equity reserve figure as required by the IAS19R.
Pursuant to IAS 19, the above-mentioned reform has made it necessary to recalculate the value of the past staff severance indemnity provision due to the exclusion of the actuarial hypotheses linked to salary increases and the revision of financial-type hypotheses. This effect (curtailment) has been reported in the 2007 separate income statement in reduction of personnel costs.

Payables, other debts, other liabilities

Payables, other debts and other liabilities are initially reported at their fair value increased by any costs linked to the transaction. They are later reported in the income statement at their face value, since no time-discounting or separate entry of interest payable is deemed necessary given the foreseen payment times.
Provisions for presumed debt are liabilities paid for goods or services which have been received or supplied but not yet paid and include amounts due to staff or other subjects.
The degree of uncertainty regarding the timing or amount of the allocations for 'Other debt/liability' is rather less than that of the provisions.
For further details regarding trade payables please see 'Definitions' below.

Income statement

Revenues and expenses

Revenues from sales and services are stated at the moment of transfer of the typical risks and advantages of property or at the time the service is performed.
Revenues are recognised at the time of shipment when the risk of loss is transferred to the buyer at that time.
Revenues are stated net of returns, discount, allowances and bonuses, as well as directly related taxation.

Costs are recognised when related to goods and services sold or used in the period or proportionally when their useful future life cannot be determined.
The purchase cost of products is reported net of any discounts granted by vendors for 'protection' provided in respect of price-list reductions and product replacements. Credits arising from any such allowances are recorded by using the accrual method of accounting, based on information from the vendors concerned.
Discounts granted for immediate cash payments of invoices payable upon presentation are used to reduce the cost of the products purchased, since – as is standard practice in the sector in which the Company operates – the commercial component is considered predominant.

Dividends

Dividend payable is stated at the date of approval of the decision by the Assembly.

Stock grants

Labour costs include stock options and/or stock grants awarded to managers in as much as they represent actual remuneration accruing at the closing date of the financial statements.
The cost is calculated in reference to the fair value of the assignment awarded to the employee.
The portion belonging to the period is calculated pro rata temporis over the vesting period.

The fair value of assigned stock grants is measured by the 'Black-Scholes' and is stated in the form of a counterparty in the 'Reserves'.

Income taxes

Current income taxes are calculated with an estimate of taxable income; the forecast payable is stated in the item 'Current income tax liabilities' but, if surplus accounts have been paid, the receivable is stated in the item 'Current income tax assets'. Tax payables and receivables for current taxation are stated at the value that it is expected to pay to or to recover from the Tax Authorities when applying the rates and current tax law or laws which have been substantially approved at the end of the period.
Deferred and advance income taxes are calculated using the 'liability method' on the temporary differences between the values of assets and liabilities stated on the statement of financial position and the corresponding values recognised for tax purposes. The statement of assets for advanced taxation is made when their recovery is probable.
Deferred and advance taxation are not stated if they are linked to the initial statement of an asset or liability in a different transaction by a business combination and that does not have an impact on the results and taxable income.

Assets for advanced taxation and liabilities for deferred taxation are stated in the fixed assets and liabilities and are off-set for each single company if they are taxes that can be off-set. If the balance of this off-set is positive, it is stated in the item 'Deferred income tax assets'; if it is negative, it is stated in the item 'Deferred income tax liabilities'.

Foreign currency translation, transactions and balances

Functional and presentation currency

Items included in this financial statement are measured using the currency of the primary economic environment in which the entity operates (the functional currency).
The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

Currency transactions and translation criteria

Foreign currency transactions are entered under functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currency are converted into euro by applying the current exchange rate at the end of the period and the effect is stated in the separate income statement. Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are valued at fair value or their recoverable or sale value, the current exchange rate is used on the date that the evaluation is made.

Financial derivatives

Derivatives are financial assets and liabilities that are stated at their fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the underlying instrument is documented and the effectiveness of the hedge is both high and regularly verified.

When a derivative covers the risk of variation of cash flow of the underlying instrument (cash flow hedge; e.g. to cover the variability of cash flow of assets/liabilities due to changes in interest rates), the variation in the fair value of the derivative is initially stated in the shareholders' equity (and, consequently, in the statement of comprehensive income) and afterwards in the separate income statement in line with the economic effects produced by the covered transaction.
If the hedging instrument expires or is sold, terminated or exercised (replacement excluded), or if the entity revokes the designation of the hedging relationship, the cumulative gain or loss on the hedging instrument recognised directly in equity from the period when the hedge was effective shall remain separately recognised in equity until the forecast transaction occurs.

Variations of fair value derivatives that do not fulfil the requirements necessary to be defined as hedging instruments are stated in the separate income statement.

Other information

Please note that the information required by Consob regarding significant operations and balances with related parties has been entered separately in the statement of accounts solely when significant and can also be found under 'Other significant information'.

2.4 Critical accounting estimates and definitions

2.4.1 Introduction

The IT and electronic consumables distribution sector presents some significant specific features, as it is to some extent independent of geographic constraints, especially as regards commercial relations with suppliers of products or vendors.
This is particularly evident in the conditions and formation of the so-called back-end profit margin, which results from the difference between the purchase price of the products and the sales price to the final consumer or reseller according to the terms of each supplier (with respect of the distributor's main function which naturally remains that of brokering the flow of products between supplier/producer and reseller/retailer).

Purchase conditions typically provide for a basic discount on end-users'/resellers' price lists and a series of additional conditions that vary from vendor to vendor in terms of function and terminology but which can normally be summarised in the following categories:
- bonuses/rebates for attaining targets ('sell-in', 'sell-out', number of clients, logistic efficiency);
- development funds, co-marketing and other incentives;
- cash discounts (so-called 'prompt payment discounts').

Esprinet S.p.A. further benefits from current agreements with almost all the vendors in the form of specific contractual protections concerning the value of unsold stock, the aim of which is to neutralise the financial risk associated with variations in list prices of products ordered ('price protection') or already present in the distributor's warehouses ('stock protection'), within certain limits.
In the first case, the protection is generally recognised through the invoicing of products ordered and not yet sent at the new price; in the second case, the vendor usually accords a credit equal to the reduction in price of the products.
As for the cash discounts, these are generally recognised following respect of the contractually fixed payment terms and provide an incentive to pay punctually.
These conditions allow for deferred payments in all cases with respect to the issue of the relative invoice or sending of the merchandise.
In line with what happens for the financial discounts offered to some selected groups of customers, which are accounted for as reduced earnings, the cash discounts are accounted for in the form of reduced purchase costs.

It is not possible within the sector to establish mid-norm payment terms policies regarding payment to suppliers as there is a considerable variety of conditions according to supplier. More in particular, payment terms range from a minimum of 7 to a maximum of 120 days, and only occasionally a cash payment is required.

In some cases, the payment terms set out in the invoice are the object of further agreed deferrals, for each shipment or on the basis of clearly-defined commercial programmes set up by the suppliers.

In the cases in which the above-mentioned deferrals carry an additional charge, the interest rate applied is not explicit, except in rare cases. Further, it often happens that implicit deferral terms – sometimes applied through a reduction in the contractually agreed cash discounts – have no connection with the current financial market rates, thus revealing how the commercial item takes precedence over the strictly financial item compensating for the delay between the date the debt arises and its effective payment.
This element is also suborned by the relatively brief duration, on average, of the deferral period, even when extended, which never, except in rare cases, exceeds 90 days.

2.4.2 Critical Definitions

For the purposes of the drafting of the present statement of accounts, and as a further qualification of the definitions contained in the IFRS, some conventional definitions regarding the nature of the liability entries have been adopted.

Short-term financial liabilities

'Financial debt' is the term used to describe obligations to pay given amounts on a given date arising from the obtaining of financial liquidity as a loan.
These include the type of transaction set out below, prevalently of a financial character and explicitly remunerated, and, in terms of the identity of the creditor, typically represented by a financial body or institution.
As examples, and regardless of the item's current or non-current character, the following liabilities are considered financial debt:

- payables to banks;
- payables to leasing companies (financial leasing operations);
- payables to factoring companies (without recourse advances).

Not included in the category of financial debt are those liabilities which, although not deferred payment for the purchase of goods or services, nevertheless do not strictly constitute loans.
By contrast, costs deriving from the above-mentioned loans, including interest on current account overdrafts, on short and medium/long-term loans, the amortisation of initial loan operation costs, costs associated with financial leasing and exchange-rate differences, are entered in the books among the financial costs.

Trade payables

The category 'payables to suppliers' includes liabilities arising from the deferred purchase of goods or services.
Liabilities representing the deferred payment of goods or services are therefore entered under payables to suppliers at their face value, since no updating and separate itemisation in the income statement in terms of explicit or separate interest due is deemed necessary for considering the expected payment times.

2.4.3 Critical accounting estimates and assumptions

The preparation of the financial statements and the related notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities.
Estimates and assumptions have been made based on historical experience and other factors, including expectations of future events, the manifestation of which are deemed reasonable.
Estimates and assumptions are revised on a regular basis, and the impact of such revision is immediately recognised in the income statement in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.

The assumptions regarding future performance are characterized by uncertainties. This means that different results - obviously neither estimable nor foreseeable, today – which might even cause significant adjustments to the book values of the relative items, cannot be excluded for the next financial year.

The financial statement items mainly affected by these situations of uncertainty are certain sales revenues, some sales reversals, the provisions for risks and charges, the allowances for doubtful accounts, depreciations and amortisation, employee benefits, income taxes and goodwill.

The critical valuation processes and the estimates and assumptions deemed likely to produce significant effects on the financial situation of the Esprinet S.p.A., should the future events set out not take place in whole or in part, are summarised below.

Goodwill

For purposes of verifying loss of goodwill value entered in the books, the 'value in use' of the Cash Generating Units ('CGUs') to which a goodwill value has been attributed has been calculated.
The CGUs have been identified within the Company's organisational and business structure as homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.
The use value has been calculated by the discounting back of expected cash-flows for each CGU as well as of the value expected from its disposal at the end of its useful life.
To this end, the so-called Discounted Cash Flow Model (DCF) has been used, which requires that future financial flows be discounted at a rate adjusted to the specific risks of each single CGU.

'Fair value' of derivatives

For purposes of the present statement of accounts it has been necessary to measure the fair value of the IRS - Interest Rate Swap contracts signed in December 2014 in order to hedge the risk of changes in future cash flows of the hedged loans technically defined as 'amortising - forward start'.

Their conditions fully comply with International Accounting Standard 39 regarding 'hedge accounting'(formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) and as a consequence, the derivative contracts were subject to the 'cash flow hedge' accounting rules. At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) has been recognised directly in equity. Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Stock grant

For the purposes of the present statement of accounts, it has been necessary to include in the books the economic/asset effects associated with the stock grant plans in favour of some managers of Esprinet S.p.A., the operation of which is better illustrated in the paragraphs 'Share incentive plans' and 'Share capital'.
The cost of these plans has been specifically determined with reference to the fair value of the rights assigned to the single beneficiaries at assignment date.
Bearing in mind the unusual and manifold operating conditions – in part governed by the consolidated financial results of the Group and in part by the permanence of the beneficiary in the Group until the vesting date of the plans – this fair value has been measured using the 'Black-Scholes' method, taking expected volatility, presumed dividend yield and the risk-free interest rate into account.

Revenue recognition

For purposes of recognising earnings on sales and services, insufficient information regarding haulers' actual consignment dates, means that dates are usually estimated by the Group on the basis of historical experience of average delivery times which differ according to the geographical location of the destination.

Credit notes due from vendors

Bearing in mind the unusual practices of the sector regarding the way purchase and sale conditions are defined and, ultimately, the way the trading margin is formed and stated, estimates are usually effected by the Company, especially where the occurrence of events might provoke significant financial effects.
Estimates of the sums of credit notes due from vendors to suppliers as rebates for the achieving of targets and incentives of various kinds, reimbursements for joint marketing activities, contractual stock protection, etc. at the drafting date of this document are referred to in particular.

The Company has developed a series of procedures and checks to minimise possible errors in evaluations and estimates of the credit notes due.
However, the possibility of differences emerging between the estimated sums and those actually received in the final statement of financial position cannot be excluded.

Depreciation and amortisation of assets

Tangible and intangible assets with a defined useful life are systematically depreciated throughout their useful life.
Useful life is defined as the period in which the activities will be used by the Company.
This is estimated on the basis of experience with similar assets, market conditions and other events likely to exercise any influence on the useful life including, just as an example, significant technological changes.
As a result, the actual economic life may differ from the estimated useful life.
The validity of the expected useful life in terms of its asset category is regularly checked by the Company. This revision may result in variations to the periods of depreciation and amortization quotas in future accounting periods.

Bad debt provision

For purposes of calculating the presumed degree of encashment of receivables, the Company makes forecasts concerning the degree of solvency of the other parties, on the basis of available information and historical experience.
The actual value of encashment of receivables may differ from that estimated because of uncertainties regarding the conditions underlying the appraisal of solvency made.

Any extension and/or deterioration of the present economic and financial crisis may cause a further worsening in the financial conditions of the Company's debtors as opposed to that already taken into consideration when estimating the provision entered in the statement of financial position.

Stock obsolescence provision

The Company usually effects forecasts regarding the value of encashment of obsolete, surplus or slow-moving warehouse stocks.
This estimate is mainly based on historical experience and takes into consideration the peculiarities of the respective stock sectors.
The value of encashment of the stocks may differ from that estimated because of the uncertainty affecting the conditions underlying the estimates made.
The present economic and financial crisis may cause a further worsening in market conditions compared with that taken into consideration when estimating the provision entered in the financial statements.

Provision for risks and charges

The Company makes provision for risks and charges on the basis of assumptions referred essentially to sums that might reasonably be paid to meet obligations for payment relating to past events.
The estimate is the result of a complex process including the involvement of legal and tax consultants and which also includes personal opinions on the part of the Company's management. The sums actually paid to extinguish or transfer the obligations for payment to third parties may also differ significantly from those estimated for purposes of provision.

Benefits to employees

Liabilities arising from benefits to employees subsequent to the employment noted in the statement of accounts are calculated by the application of actuarial methods as per IAS 19.
These methods have required the identification of several employment possibilities and estimates of a demographic (probability of death, disability, leaving the labour market, etc.) and financial nature (technical rate of discounting back, inflation rate, rate of increase in remuneration, rate of increase of severance indemnity).

The validity of the estimates made depends essentially on the stability of the regulations used as a reference point, the progress of market interest rates, the progress of the remuneration dynamics and eliminations, and also on the frequency of access to advances on the part of employees.

Income tax expenses

Current income taxes are calculated on the basis of the estimate of liable earnings, by applying the current fiscal rates pertaining on the date of the drafting of the statement of accounts.
Deferred and advance taxes are determined by the temporary differences arising between the values of the assets and liabilities reported and the corresponding values recognised for tax purposes, using those tax rates considered possible upon encashment of the asset or extinguishment of the liability. Deferred tax assets are registered when the associated recovery is deemed probable; this probability depends upon the effective existence of taxable results in the future enabling deductible temporary differences to be used.

The future taxable results have been estimated by taking into consideration the budget results and the plans consistent with those used to effect impairment tests. The fact that deferred tax assets refer to temporary tax differences/losses, a significant amount of which may be recovered over a very long time-span, compatible therefore with a situation where overcoming the crisis and economic recovery might extend beyond the time-frame implicit in the aforementioned plans, has also been taken into account.

2.5 Recently issued accounting standards

Information regarding the new approved accounting principles starting from 1 January 2015, as well as the principles applicable starting from 1 January 2016, together with the specifications concerning the approach of the Group towards them and the effects on the Esprinet S.p.A. financial statements can be found in the 'Notes to the consolidated financial statements'.

2.6 Changes in accounting estimates and reclassifications

Changes in critical accounting estimates

Pursuant to IAS 8, no changes in the critical accounting estimates regarding previous periods, have been made in this financial statements.

Reclassifications in income statement

No reclassifications in income statement regarding previous periods, have been made in this financial statements.

3. Notes to statement of financial position items

Non-current assets

4) Tangible assets

(euro/000)	Plant and machinery	Ind. & comm. equipment & other assets	Assets under construction & advances	Total
Historical cost	8,955	20,625	331	**29,911**
Accumulated depreciation	(6,684)	(13,270)	-	**(19,954)**
Balance at 31 December 2015	**2,271**	**7,356**	**331**	**9,958**
Historical cost increase	395	1,674	2,115	**4,184**
Historical cost decrease	(7)	(786)	-	**(793)**
Historical cost reclassification	37	294	(331)	**-**
Write-down	-	-	-	**-**
Increase in accumulated depreciation	(644)	(2,000)	-	**(2,644)**
Decrease in accumulated depreciation	7	752	-	**759**
Total changes	**(212)**	**(66)**	**1,784**	**1,506**
Historical cost	9,380	21,807	2,115	33,303
Accumulated depreciation	(7,321)	(14,518)	-	(21,839)
Balance at 31 December 2016	**2,059**	**7,289**	**2,115**	**11,464**

The tangible assets as at 31 December 2016 amount to 11.5 million euro, showed an increase of 1.5 million euro compared to the value of 31 December 2015.

In 2016, the investments in 'plant and machinery' mainly refer to new assets acquisition due to enlargement/building of the new logistic hub in Cavenago.
Investments in 'Industrial & commercial equipment & other assets' refer to the purchase of electronic office machinery.

Investments in assets under construction refer to new assets acquisition and works on assets not yet operating mainly for the logistic site enlargement of Cavenago.

The following is the breakdown of the item 'Industrial and commercial equipment and other assets':

(euro/000)	31/12/2016	31/12/2015	Var.
Electronic machines	4,104	3,763	341
Furniture and fittings	1,915	2,153	(238)
Industrial and commercial equipment	515	580	(65)
Other assets	755	860	(105)
Total	**7,289**	**7,356**	**(67)**

The useful life related to the various asset categories remained unchanged compared to the previous year.

Please note that there are no temporarily unused tangible fixed assets intended for sale and that supply contracts signed within the financial year, but not recognised in the financial statements are insignificant.

5) Goodwill

Goodwill amounted to 10.6 million euro.
The following table summarises the values of the single goodwill items in terms of the business combinations from which they arose:

(euro/000)	31/12/2016	31/12/2015	Var.
Assotrade S.p.A.	5,500	5,500	-
Pisani S.p.A.	3,878	3,878	-
Esprilog S.r.l.	1,248	1,248	-
Total	**10,626**	**10,626**	**-**

The Assotrade S.p.A. goodwill arose from the Esprinet's combination of the Assotrade 'IT Distribution' business unit. The Pisani S.p.A. and the EspriLog S.r.l. goodwill items refer to the merger deficit arisen from the merger into Esprinet S.p.A. of Pisani S.p.A. and EspriLog S.r.l..

Disclosures regarding impairment tests of assets: goodwill

IAS 36 requires the testing of property, plant and equipment and intangible assets with indefinite useful life for impairment whenever there are indications that such an impairment may have occurred.
In the case of goodwill and other intangible assets with an indefinite useful life, this test, so-called 'impairment test', must be carried out at least annually and whenever 'triggering events' occur, i.e. extraordinary negative events implying the asset may be impaired.

Goodwill does not generate cash flows independently of other assets or group of assets so, in compliance with IFRS, it is not an 'individual asset' and may not be subjected to a separate impairment test being tested for impairment together with the group of activities to which it has been allocated.
For the purposes of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's 'CGU - Cash-Generating Units', or groups of CGUs that must not to be larger than an operating segment determined in accordance with IFRS 8.
In this case it was only possible to consider the company as a whole, since no smaller independent

CGU-Cash Generating Units were identified where all or part of the goodwill items could be allocated.

The method of testing the recoverable amount of the above goodwill items and the valuation system used can be found in the same section of the Consolidated Financial Statements and in the subsequent section 'Investments in subsidiaries and other companies', to which refer.

The tests performed did not highlight any impairment. Consequently no write-downs appear in the financial statements as at 31 December 2013 and goodwill amounts have therefore not changed versus the previous year.
In addition, the management believes there are no reasons to foresee key assumption changes able to generate an impairment of the Esprinet S.p.A.'s net asset recoverable amount below the respective carrying amount.
Consequently, also in compliance with joint Bank of Italy/Consob/Isvap document n. 4 of 3 March 2010, a sensitivity test was performed on the results of the test regarding the combined variation in the following basic assumptions:

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discounted rate;
- the forecasted EBITDA.

The variation range compared to the 'normal' case taken into account are as follows:

'g' equal to 0% and lower than -50%;
- WACC higher than +2% and +1%;
- EBITDA lower than -10% and -20%.

With reference to this, we point out that in the 'worst case' scenario, when simultaneously all the variables get the lowest value of the above mentioned ranges, no write-down of the goodwill booked in the financial statement as at 31 December 2016 would be necessary.

6) Intangible assets

(euro/000)	Industrial and other patent rights	Assets under construction and advances	Total
Historical cost	5,356	-	**5,356**
Accumulated amortisation	(4,745)	-	**(4,745)**
Balance at 31 December 2015	**610**	**-**	**610**
Historical cost increase	316	757	**1,073**
Historical cost decrease	-	-	**-**
Historical cost reclassification	-	-	**-**
Write-down	-	-	**-**
Increase in accumulated amortisation	(431)	-	**(431)**
Decrease in accumulated amortisation	-	-	**-**
Totale changes	**(115)**	**757**	**642**
Historical cost	5,672	757	**6,429**
Accumulated amortisation	(5,176)	-	**(5,176)**
Balance at 31 December 2016	**495**	**757**	**1,252**

The item 'Industrial and other patent rights' includes the costs sustained for the long-term renewal and upgrade of IT operating system (software).
The increase in 'Industrial and other patent rights' is due to software acquisition, while the increase in the 'Asset under construction and advances' value refers to a new software acquired but non yet in operation as at 31 December 2016.

This item is amortised in three years.

5) Investments in subsidiaries and other companies

(euro/000)	31/12/2016	31/12/2015	Var.
Investments in others	92,420	85,688	6,732

The following information concerns the Company's investments in associates.
Data concerning net equity and net income refer to the draft financial statements as at 31 December 2016 approved by the respective Boards of Directors.

(euro)	Headquarter	Net equity [1]	Profit/(loss) [1]	% possession	Cost	Value
Celly S.p.A.	Vimercate	4,327,661	812,680	80%	9,934,440	9,934,440
Mosaico S.r.l.	Vimercate	352,826	252,826	100%	100,000	100,000
EDSlan S.r.l.	Vimercate	9,881,878	468,253	100%	6,540,000	6,540,000
V-Valley S.r.l.	Vimercate	1,787,878	139,693	100%	20,000	20,000
Esprinet Iberica S.L.U.	Saragozza (Spain)	55,203,010	1,119,745	100%	75,775,867	75,775,867
Esprinet Portugal Lda	Porto (Portugal)	392,355	(308,230)	5%	50,000	50,000
Total		**71,945,608**	**2,484,967**		**92,420,307**	**92,420,307**

[1] Data from draft financial statements as at 31 December 2016 drawn up in compliance with the respective local accounting principles.

The following table shows the movement in investments in subsidiaries during the year:

(euro/000)	Balance at 31/12/2015	Increase	Decrease	Reversal	Balance at 31/12/2016
Celly S.p.A.	9,935		-	-	9,935
Mosaico S.r.l.	-	100	-	-	100
EDSlan S.r.l.	-	6,540	-	-	6,540
V-Valley S.r.l.	20	-	-	-	20
Esprinet Iberica S.L.U.	75,683	93	-	-	75,776
Esprinet Portugal Lda	50	-	-	-	50
Total	**85,688**	**6,732**	**-**	**-**	**92,420**

During 2016 the following companies were established: i) on 24 March 2016 EDSlan S.r.l., that started operating on 9 April 2016 through the acquisition of the business unit carrying out distribution activities in the industry of networking, cabling, Voip and UCC – Unified Communication & Collaboration from the company EDSlan S.p.A. and ii) on 8 November 2016 Mosaico S.r.l., that started operating on 1 December 2016 with the acquisition, occurred on the previous day, of the business unit IT 'VAD-Value Added Distribution', both hardware and software from Itway group.

The company V-Valley S.r.l. has a role of 'sales dealer', managing the sales operations in its own name and on behalf of its parent company. It develops a service activity towards that of the headquarters, in totally subordinated conditions, representing a company vehicle where part of the 'value chain' of the parent company is merged (basically the invoicing and the credit management,

included the management of the insurance related to the factoring programmes). No specific impairment test was conducted for the above mentioned company, on one hand because of the complete subordination to Esprinet, given also by the inclusion into the same CGU tested for the goodwill 'impairment test', and on the other hand considering the non-material value of the same (the company is booked for 20 thousand euro in the financial statement as per the initial establishment payment from the unique shareholder, Esprinet S.p.A).

In compliance with IAS 36, in order to verify whether there is any indication that its investments in subsidiaries may be impaired, the entity perform at least annually an impairment test by comparing the value in use and the carrying amount of these investments.

A) Valuation system

In the case of the abovementioned investments, their value in use was calculated starting with the cash flow reasonably obtainable from operations, discounted-back to the date of the analysis.
The abovementioned cash flows were primarily estimated on the basis of the Group's plans forecast approved by the Board of Directors. These plans were drawn up, starting from the analytical budget of 2017 considered a 'pivot' year, thanks to forecasting techniques useful both for a separate management of fixed and variables costs, and for defining the revenues and product gross margin trend. This was done utilising a 'benchmarking' of the sector trends and of the end market in its entirety, as evaluated by reliable external sources, as well as assuming, for each investments, different trends according to the current and prospective competitive position.

Projections are thus based on forecasts covering normally a 5-year period and the 'value in use' was estimated using the Discounted Cash Flow (DCF) model which, in order to estimate the discounting back of future cash flows, requires an appropriate discount rate reflecting the degree of risk of the same cash flows.

An 'asset side' approach was used which presupposes discounting unlevered cash flows generated by operations.
These cash flows were calculated net of 'figurative income taxes' measured by applying an estimated tax rate to the operating income (EBIT). The discount rate includes the effect of price increases attributable to general inflation so future cash flows are estimated in nominal terms.
In order to calculate the value in use of the investments in subsidiaries needed to assess their recoverable value versus their book value the respective net financial debt was deducted for each company at 31 December 2016.

To estimate the discount rate the WACC', or Weighted Average Cost of Capital, has been used. Its cost of the capital (Ke) has been calculated using a Capital Asset Pricing Model ('CAPM') approach.

The terminal value recorded at the end of the forecast period was calculated using the 'Perpetuity Method' (unlimited capitalisation model of the last year's cash flow).
The approach used presupposes that from the end of the 5th year on, the cash flow will grow at a constant rate of 'g' and that therefore the terminal value will be calculated as perpetual income through the capitalisation of the last cash flow of the plan at a rate corresponding to the discount-back rate used (WACC) corrected by a growth factor. This last factor is seen as 1.2%.

As a precaution, with reference to Terminal Value, no working capital reductions/releases are foreseen in the 'basis' year but, consistently with the past, the achievement of a 'steady state' is assumed, characterized by an absence of incremental investments, also with reference to the working capital.

Please note that, in compliance with IAS 36 (A20) provisions that require a discount rate used to be a pre-tax rate, the post-tax version CAPM-calculated WACC was adjusted into the pre-tax equivalent defined as pre-tax WACC which leads to the same result when discounting back pre-tax cash flows.

B) Basic assumptions/ critical variables

In addition to the basic assumptions already above explained, such as the analytical forecast horizon and the growth rate 'g', information referring to the definition method of the discounted rates applied to the most relevant impairment tests are reported in the following table.

	Celly S.p.A.	Mosaico S.r.l.	EDSlan S.r.l.	Esprinet Iberica S.L.U.
Discount rates:				
Equity Risk Premium	5.5%	5.5%	5.5%	5.5%
ß "*unlevered*" di industry	0.74	0.74	0.74	0.74
Struttura finanziaria-obiettivo (D/D+E)	22.1%	22.1%	22.1%	22.1%
Struttura finanziaria-obiettivo (E/D+E)	77.9%	77.9%	77.9%	77.9%
WACC *post-tax*	6.01%	6.01%	6.01%	5.94%
WACC *pre-tax*	7.85%	7.86%	7.84%	7.38%

C) Value adjustments and 'sensitivity analysis

The impairment test regarding the investments in Celly S.p.A., Mosaico S.r.l., EDSlan S.r.l. and Esprinet Iberica S.L.U. did not reveal any need for write-downs as at 31 December 2016.

In addition, the management believes there are no reasons to foresee key assumption changes able to generate an impairment of the investments.
In that regard, for information purposes, pursuant to IAS 36, different sensitivity analysis of the test results were performed taking into account simultaneously the variation of the following basic assumptions.

- the long term growth rate 'g' in order to obtain the cash flows beyond plan horizon;
- the cash flow discounted rate;
- the forecast EBITDA for the plan horizon.

The variation range compared to the 'unique' scenario taken into account are as follows:

- 'g' equal to 0% and lower than -50%;
- WACC higher than +2% and +1%;
- EBITDA lower than -10% and -20%.

In none of the scenarios arising from the different combination of key assumptions as shown before, including the worst scenario resulting from a g equal to 0%, a WACC increased by +2% and an EBITDA decreased by -20%, any investment impairment would occur.

The abovementioned sensitivity analysis was performed as required by IAS 36 solely for purposes of information and the directors do not believe further write-downs will be necessary since the cash flow forecasts and basic assumptions used in the impairment test are considered reasonably representative of 'unique scenarios' where a certain symmetry between 'best' and 'worst' scenarios can be expected.

6) Deferred income tax assets

(euro/000)	31/12/2016	31/12/2015	Var.
Deferred income tax assets	1,975	2,368	(393)

The balance of this item is represented by prepaid tax assets due to tax losses carried forward and by taxed provisions and other temporary differences between carrying amounts and other values recognised for tax purposes which the Group expects to recover in future operating years when taxable earnings will be accounted.

(euro/000)	31/12/2016			31/12/2015		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Bad debt provision	-	27.50%	-	1,093	27.50%	301
Bad debt provision	3,547	24.00%	851	3,280	24.00%	787
Excessive amortisation	0	3.90%	0	1	3.90%	0
Director's fees not paid	-	27.50%	-	693	27.50%	191
Director's fees not paid	1,109	24.00%	266	320	24.00%	77
Inventory obsolescence provision	-	27.50%	-	320	27.50%	88
Inventory obsolescence provision	1,450	3.90%	57	1,598	3.90%	62
Inventory obsolescence provision	1,450	24.00%	348	1,279	24.00%	307
Agent suppl. indemnity provision	-	27.50%	-	40	27.50%	11
Agent suppl. indemnity provision	747	3.90%	29	790	3.90%	31
Agent suppl. indemnity provision	747	24.00%	179	750	24.00%	180
Other	1,003	24%-27.9%	244	1,473	27.5%-31.4%	334
Deferred income tax assets			**1,975**			**2,368**

The item 'Other' refers mainly to the deferred income tax assets arising from the temporary differences on the exchange losses valuation, on the actuarial valuation of the staff severance indemnity (TFR) and on the derivatives valuation.

The time-related allocation of this item is as follows:

(euro/000)		Whitin 1 year	1-5 year	Over 5 years	Total
Deferred income tax assets	31/12/2016	765	1,052	158	1,975
	31/12/2015	877	1,326	165	2,368

8) Derivative financial liabilities (non-current)

(euro/000)	31/12/2016	31/12/2015	Var.
Derivative financial assets	377	369	8

In October 2015, Esprinet S.p.A. and Celly's non-controlling shareholder mutually granted put/call options on the residual 20% of Celly's shares, currently owned by the minority shareholder and expiring between the 5th and 7th year after the acquisition by the Group occurred on 12 May 2014. The amount recognised in the financial statements under 'Derivative financial assets' refers to discounted difference, calculated on the bases of the 2year-risk free interest rate prevailing at the year end, between the valuation of the said share in Celly S.p.A. at the potential exercise date as assessed by management and the valuation of this subsidiary shareholding at same date based on the contract that regulates the mutually granted options.

9) Receivables and other non-current assets

(euro/000)	31/12/2016	31/12/2015	Var.
Guarantee deposits receivables	4,221	4,439	(218)
Trade receivables	2,292	2,696	(404)
Receivables and other non-current assets	**6,513**	**7,135**	**(622)**

The trade receivables refer to the portion of credit toward the customer 'Revenue Guard Corps' (so called Guardia di Finanza – GdF) which expiring date is after one year and arose from a delivery of goods from Esprinet S.p.A. toward the GdF in 2011.
These receivables consists of a yearly payments plan until January 2022 against which the Holding Company obtained a loan from Intesa Sanpaolo in 2013 whose instalments would be paid directly by the customer. Since the counterparties of the two transactions are different it was deemed necessary to maintain the receivables from the customer and the payables to the financial entity separately booked until full repayment of the loan.
The variation compared to 31 December 2015 is due to the allocation in the current receivables of the portion expiring within next fiscal year.

Guarantee deposit receivables refer for 3.0 million euro to the deposit with the purchaser under the securitisation transaction conducted by the parent Company aimed at ensuring coverage of potential dilutions under this exercise or in the months following the transaction closing with effect in June 2018 at the latest. The remaining portion refers to guarantee deposits relating to utilities and lease agreements ongoing.

Current assets

10) Inventory

(euro/000)	31/12/2016	31/12/2015	Var.
Finished products and goods	209,326	213,217	(3,891)
Provision for obsolescence	(1,450)	(1,597)	147
Inventory	**207,876**	**211,620**	**(3,744)**

Inventory, totaling 207.9 million euro, shows a decrease of -1.8% as a consequence of the revenues decrease while the turnovers days remained stable compared to the previous year.

The 1.5 million euro allocated to Provision for obsolescence is intended to address the risks associated with the presumed lower realisable value of obsolete and slow-moving stock.

The movement in the provision during the period was as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Provision for obsolescence: year-beginning	**1,597**	**1,349**	**248**
Uses	(1,171)	(216)	(956)
Accruals	1,024	464	560
Provision for obsolescence: year-end	**1,450**	**1,597**	**(147)**

11) Trade receivables

(euro/000)	31/12/2016	31/12/2015	Var.
Trade receivables - gross	194,041	167,319	26,722
Bad debt provison	(3,895)	(4,701)	806
Trade recevables - net	**190,146**	**162,618**	**27,528**

Trade receivables arise from normal sales dealings engaged in by the Company in the context of ordinary marketing activities. These operations are effected almost entirely with customers resident in Italy, are wholly in euro and are short-term.

The rise in the trade receivables-gross item was mainly caused by the increase in no-recourse assignments in 2016 compared to last year (i.e. equal to approx. 133 million euro at the end of 2016 compared to 145 million euro in 2015).

The Trade receivables balance includes 4.9 million euro of receivables transferred to factoring firms under the 'with-recourse' factoring agreement (5.5 million euro in 2015). Adjustments to the presumed net realisable value of receivables collected is effected through bad debt provision.

This provision is made up of allocations estimated on the basis of a valuation analysis of each single customer in terms of the relevant receivables overdue, or existing trade disputes and by also taking into account insurance covers, however (further information can be found under 'Disclosures on risks and financial instruments'). The table below illustrates the movements in the bad debt provision:

(euro/000)	31/12/2016	31/12/2015	Var.
Bad debt provision: year-beginning	**4,701**	**6,191**	**(1,490)**
Uses	(1,154)	(1,818)	664
Accruals	348	328	20
Bad debt provision: year-end	**3,895**	**4,701**	**(806)**

12) Income tax assets

(euro/000)	31/12/2016	31/12/2015	Var.
Income tax assets	4,543	3,296	1,247

The Income tax assets mainly result from the higher tax advances paid compared to the current taxes accrued in 2016. Besides, 1.2 million euro relates to the refund claim of IRES tax paid as a result of the non-deduction of the IRAP tax on personnel costs in fiscal years 2004-2007 and 2007-2011.

13) Other assets

(euro/000)	31/12/2016	31/12/2015	Var.
Receivables from subsidiaries (A)	**194,372**	**81,361**	**113,011**
Receivables from associates (B)	**-**	**156**	**(156)**
VAT receivables	3,890	295	3,595
Other tax assets	4,571	32	4,539
Other receivables from Tax authorities (C)	**8,461**	**327**	**8,134**
Receivables from factoring companies	1,176	1,152	24
Customer financial receivables	509	507	2
Receivables from insurance companies	1,682	1,863	(181)
Receivables from suppliers	8,114	6,978	1,136
Receivables from employees	2	143	(141)
Receivables from others	148	115	33
Other receivables (D)	**11,631**	**10,758**	**873**
Prepayments (E)	**2,488**	**2,641**	**(153)**
Other assets (F= A+B+C+D+E)	**216,952**	**95,243**	**121,709**

The following tables show Receivables from subsidiaries detailed by type and by single company. For further information regarding the source figures please refer to the section headed 'Relationships with related parties'.

(euro/000)	31/12/2016	31/12/2015	Var.
Celly S.p.A.	2,458	1,207	1,251
EDSlan S.r.l.	2,375	-	2,375
Mosaico S.r.l.	587	-	587
V-Valley S.r.l.	30,539	22,717	7,822
Celly Nordic OY	58	37	21
Esprinet Iberica S.L.U.	5,445	2,306	3,139
Esprinet Portugal Lda	43	81	(38)
V-Valley Iberian S.L.U.	-	-	-
Trade receivables (A)	**41,505**	**26,349**	**15,156**
Celly S.p.A.	1,031	-	1,031
EDSlan S.r.l.	336	-	336
V-Valley S.r.l.	-	12	(12)
Receivables as per national cons. tax regime (B)	**1,367**	**12**	**1,355**
Celly S.p.A.	5,000	5,000	-
EDSlan S.r.l.	10,000	-	10,000
Mosaico S.r.l.	10,000	-	10,000
Esprinet Iberica S.L.U.	115,000	50,000	65,000
Esprinet Portugal Lda	6,500	-	6,500
V-Valley Iberian S.L.U.	5,000	-	5,000
Financial receivables (C)	**151,500**	**55,000**	**96,500**
Total receivables from subsidiaries (A+B+C)	**194,372**	**81,361**	**113,011**

(euro/000)	31/12/2016	31/12/2015	Var.
Celly S.p.A.	8,488	6,207	2,281
EDSlan S.r.l.	12,712	-	12,712
Mosaico S.r.l.	10,587	-	10,587
V-Valley S.r.l.	30,539	22,729	7,810
Celly Nordic OY	58	37	21
Esprinet Iberica S.L.U.	120,445	52,306	68,139
Esprinet Portugal Lda	6,543	81	6,462
V-Valley Iberian S.L.U.	5,000	-	5,000
Total receivables from subsidiaries	**194,372**	**81,361**	**113,011**

Vat receivables refer to input VAT accrued to the Company at 31 December 2016 as well as to refund claims which are not allowed to be offset against operating tax liabilities. Variation compared to 31 December 2015 is due to position turning from payable to receivable.

The 'Income tax assets' figure refers almost entirely to the financial receivables from the Tax authority, due to a partial payment of a tax notice referring to indirect taxes on a provisional basis. The above led to a tax dispute detailed in the paragraph 'Development of the disputes involving Esprinet S.p.A. and the Group' under the notes to item '26) Provisions and other liabilities'.

Receivables from factoring companies include sums owed to the Company as a result of 'without recourse' factoring operations effected. At the draft date of this report was drafted, all the receivables payable had been paid.

Customer financial receivables refer to the short portion of receivables collectable within the subsequent year that arose from a delivery of goods in 2011 from Esprinet S.p.A. to the customer 'Guardia di finanza - GdF'. For further information please refer also to paragraph "Receivables and other non-current assets".

Receivables from insurance companies include the insurance compensation – after deductibles – recognized by the insurance companies for claims of various kinds not yet paid but which are reasonably expected to be collected within the end of next year.

Receivables from suppliers refer to credit notes received exceeding the amount owed at the end of the year for a mismatch between the timing of their quantification and the payment of suppliers.
This item also includes receivables from suppliers for advance payments requested by suppliers before purchase orders are executed, as well as receivables from haulers for advance VAT payments and import custom duties.

Prepayments are costs the accrual date of which is deferred compared with that of the cash movement (mainly payables for leasing contracts, maintenance fees, service fees).

17) Cash and cash equivalents

(euro/000)	31/12/2016	31/12/2015	Var.
Bank and postal deposit	80,079	205,983	(125,904)
Cash	20	8	12
Cheques	10	2	8
Total cash and cash equivalents	**80,109**	**205,993**	**(125,884)**

Cash and cash equivalents are almost entirely made up of bank balances, all immediately available. Of a partly temporary nature, the level of liquidity (originated in the normal short-term financial cycle of collections) dramatically fluctuates not only along the calendar year but also during each month, due for the most part to the concentration of payments received from customers at the end and middle of each month, while the maturities of payments to suppliers are distributed more evenly over the month. The market value of the cash and cash equivalents corresponds to their carrying amount.

Net equity

Items composing shareholders' equity are explained in the following notes:

(euro/000)	31/12/2016	31/12/2015	Var.
Share Capital (A)	**7,861**	**7,861**	**-**
Reserves and profit carried over (B)	285,790	269,309	16,481
Own shares (C)	(5,145)	(5,145)	-
Total reserves (D=B+C)	**280,645**	**264,164**	**16,481**
Net income for the year (E)	**12,738**	**22,943**	**(10,205)**
Net equity (F=A+D+E)	**301,244**	**294,968**	**6,276**
Non-controlling interests (G)	-	-	-
Total equity (H=F+G)	**301,244**	**294,968**	**6,276**

19) Share capital

The Company Share capital, fully subscribed and paid-in as at 31 December 2016, is 7,860,651 euro and comprises 52,404,340 shares with a face value of 0.15 euro each.

The main information items used in reporting the value of the rights for the free assignment of the shares can be found in the 'Directors' Report on Operations'.
The value of these rights was reported in the separate income statement under costs relating to salaried staff with a balancing item reported in the statement of financial position under the item 'Reserves'.

20) Reserves

Reserves and profit carried over

This item increased by 16.5 million euro mainly as a consequence of the allocation of profit from previous years net of dividends payment of 7.8 million euro (0.15 euro per share) occurred during the year.

Own shares on hand

The amount of 'own shares on hand' refers to the total purchase price of No. 646.889 Esprinet S.p.A. shares owned by the Company. The variation occurred refers to the 1,150,000 assigned shares in May 2015 as per the 2012-2014 'Share Incentive Plan' approved on 9 May 2012 by Esprinet Shareholders' Meeting, as well as to the 615,489 shares purchasing as set in the resolution of Esprinet Shareholders' Meeting dated 30 April 2015 (please refer to 'Number and value of own shares' under the 'Directors' report on operations').

The following table shows the amount and the distributability of the reserves composing the net equity as per Article 2427, 7-bis of the Italian civil Code and their past usage:

(euro/000)				Summary of the uses in the three previous years:	
Type/description	Amount	Possible uses	Quota available	To cover losses	For other reasons
Share capital	**7,861**	---	-		
Reserves as per OIC:					
Share premium reserve (*)	12,296	A,B,C	12,296		
Revaluation reserve	30	A,B,C	30		
Legal reserve	1,572	B	-		
Own shares on hand	5,145	---	-		
Merger surplus	5,369	A,B,C	5,369		
Extraordinary reserve	253,780	A,B,C	253,780		
Net profit from exchange operations reserve		---	-		
IFRS reserve	7,598	---	-		(8)
Total Reserves	**285,790**		**271,475**	**-**	**(8)**
Total share capital and reserves	**293,651**		**271,475**		
Non-distributable quota (**)			-		
Residual distributable quota			**271,475**		

(*) Pursuant to Article 2431 of the Civil Code the whole amount of this reserve can be distributed solely provided that the legal reserve has reached the limit established by Article 2430 of the Civil Code, including through the transfer of the share premium reserve. This limit had been reached as at 31 December 2008.
(**) Pursuant to Article 2426, 5), this is the non-distributable quota allocated to cover long-term costs not yet amortised.

Key: A: share capital increase. B: cover of losses. C: distribution to shareholders.

The main changes in net equity during 2016 can be found in the 'Statement of changes in equity'.

21) Net income

The year's profits amount to 12.7 million euro, decreasing by 10.2 million euro from previous year's 22.9 million.

Non-current liabilities

22) Borrowings

(euro/000)	31/12/2016	31/12/2015	Var.
Borrowings	2,252	61,138	(58,886)

The borrowings value refers to the valuation at cost or at amortized cost of the portion of the medium-long term loans granted by the Company falling due beyond next year.

- a loan, with a residual principal having a book value of 2.3 million euro, signed and granted in December 2013 and expiring by January 2022 referring to the delivery of goods to the customer 'Guardia di Finanza – GdF'.

As at 31 December 2015 the item value was composed by the following medium-long term loans:

- a *"Term loan Facility"* of 65 million euro as booked value of loan principal signed on July 2014 with a pool of banks, granted on August 2014 and due by July 2019;
- a loan, for 10.0 million euro in book value of loan principle, signed and granted in July 2015 and expiring in July 2019 aimed at ensuring coverage of potential dilutions under trade receivables securitisation transaction implemented by the Company.

Both the 'Term loan Facility' and the loan linked to securitisation are subject to the compliance of 3 covenants, 2 of which according to the management estimates (to be checked against the consolidated and audited financial statements) were not met. Thus, pursuant to accounting standards, the liabilities are booked in current financial debts.
The 'GdF' borrowing, as already mentioned in paragraph 9 'Receivables and other non-current assets', led to the simultaneous recording of a long-term receivable towards the customer 'Guardia di Finanza' of the same amount (loan principal).

Further details can be found in the following paragraph 'Net financial indebtedness and financial liabilities analysis'.

23) Derivative financial liabilities (non-current)

(euro/000)	31/12/2016	31/12/2015	Var.
Derivative financial liabilities	-	224	(224)

The amount refers to the 'fair value' of 'IRS-Interest Rate Swap' contracts entered in December 2014 by Esprinet S.p.A. to entirely hedge the risk of interest rate fluctuations on the 'Term Loan Facility' signed in July 2014 with a pool of banks for 65.0 million euro.
The variation compared to 31 December 2015 results from the loans being entirely booked under current liabilities, as a consequence of two covenants under the Term Loan Facility not being satisfied, and of management's willingness to replace this facility resulting in the termination of existing derivatives and to underwrite new interest hedging contracts.

For further details regarding the operation please refer to the sections headed 'Loan and loans covenants' and 'Hedge accounting' under the paragraph 'Disclosure on risks and financial instruments'.

24) Deferred income tax liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Deferred income tax liabilities	2,354	2,248	106

The balance of this item depends on higher taxes that the Company has to pay in the next operating years due to temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding values recognised for tax purposes.

As shown in the next table, these differences mainly arise from the elimination of the tax amortisation of goodwill, the estimated foreign exchange gains and the adjustment of the staff severance provision ('TFR') to the actuarial valuation.

(euro/000)	31/12/2016			31/12/2015		
	Temporary differences	Fiscal effect (tax rate)	Amount	Temporary differences	Fiscal effect (tax rate)	Amount
Goodwills' amortisation	8,081	24.00%	1,939	7,731	24.00%	1,855
Goodwills' amortisation	8,081	3.90%	315	7,731	3.90%	302
Estimated foreign exchange gains	257	24.00%	62	188	27.50%	52
Change TFR provision	159	24.00%	38	141	27.50%	39
Total deferred income tax liabilities			**2,354**			**2,248**

The time-related allocation of deferred income tax liabilities is as follows:

(euro/000)		Within 1 year	1-5 years	Over 5 years	Total
Deferred income tax liabilities	31/12/2016	100	-	2,255	2,355
	31/12/2015	91	-	2,157	2,248

25) Retirement benefit obligations

Retirement benefit obligations reflects the staff severance indemnities ('TFR') and other benefits accruing to salaried staff at the close of the period, assessed in accordance with actuarial criteria, pursuant to IAS 19.

Please note that from 1 January 2007 important modifications governing the Staff Severance Fund, among which the possibility for the worker to choose the destination of the accruing Staff Severance Fund, were introduced.
In particular, the new Staff Severance Fund flows can be channelled by the worker into a selected pension fund or kept in the company (in this case the Staff Severance Fund contributions will be paid into a treasury fund instituted at the INPS).

Changes occurred during the year are shown in the tables below:

(euro/000)	31/12/2016	31/12/2015	Var.
Balance at year-beginning	**3,587**	**3,965**	**(378)**
Service cost	-	-	-
Interest cost	70	57	13
Actuarial (gain)/loss	147	(200)	347
Effect of tax rate change on reversal	-	-	-
Pensions paid	(122)	(235)	113
Changes	**95**	**(378)**	473
Balance at year-end	**3,682**	**3,587**	**95**

Values recognised in the separate income statement are as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Amounts booked under personnel costs	-	-	-
Amounts booked under financial costs	70	57	13
Total	**70**	**57**	**13**

Please note that the item 'service costs' no longer includes any costs since the Company, which has more than 50 employees, transfers the staff severance indemnity quotas to third parties.
The increase of 'retirement benefit obligations' is mainly due to actuarial losses occurred as well as to pensions paid in the year. The increase in the 'actuarial gain or losses' amount compared to last year is mainly related to the decrease in the discounted rate used in the 2016 actuarial calculation. Please note that the abovementioned discount rate reflects the market returns, at the financial statement date of a panel of primary company bonds with a maturity date connected with the employee average residual permanence in Esprinet (more than 10 years)[22].

The method known as 'Project Unit Credit Cost' used to assess the Staff Severance Indemnity (TFR) as per the IAS 19 accounting standard is based on the following assumptions:

a) Demographic assumptions

- probability of death: the values for the Italian population reported by ISTAT (Italian Central Statistics Institute) in reference to 2002, indicated separately according to gender;
- probability of disability: the results adopted in the INPS (Italian National Social Security Institute) model for projections up to 2010, indicated separately according to gender. These probabilities were calculated starting from the pension distribution by age and gender existing on 1 January 1987 with effect from 1984, 1985, 1986 referring to the credit segment personnel.
- period of retirement: attainment of first requirement for pension eligibility valid for the General Compulsory Insurance Scheme in the case of a generic worker;
- probability of terminating employment for reasons other than death: 6% annual frequency has been considered based on available statistics;
- probability of anticipating: an annual rate of 3% has been assumed.

b) Economic-financial assumptions

	31/12/2016	31/12/2015
Cost of living increase	1.5%	1.8%
Discounting rate	1.3%	2.0%
Remuneration increase	n/a	n/a
Staff severance indemnity (TFR) - annual rate increase	2.6%	2.8%

Sensitivity analyses

Pursuant to IAS 19R, a sensitivity analysis of changes in main actuarial hypothesis used in the calculation model is required.
As basic scenario the one above described was assumed and from that the most significant hypotheses (i.e. annual average discount rate, average cost of living increase and turn-over rate) were increased and decreased by half, a quarter and two percentage points respectively. The outputs so obtained are summarized as follows:

[22] Please note that, the iBoxx Eurozone Corporates AA10+ index was used as parameter for the above mention calculation.

(euro)		Sensitivity Analisys
		Esprinet S.p.A.
Past Service Liability		
Annual discount rate	*+0,50%*	3,529,978
	-0.50%	3,845,805
Annual inflation rate	*+0,25%*	3,731,214
	-0.25%	3,633,851
Annual turnover rate	*+2,00%*	3,646,374
	-2.00%	3,728,266

As required by IAS 19 Revised, the estimated expected payments (in nominal value) for the next years are as follows:

(Euro)	Future Cash Flow
Year	*Esprinet S.p.A.*
0 - 1	380,759
1 - 2	257,119
2 - 3	242,547
3 - 4	213,526
4 - 5	226,670
5 - 6	208,635
6 - 7	182,178
7 - 8	192,917
8 - 9	169,882
9 - 10	171,468
Over 10	1,893,098

26) Non-current provisions and other liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Provisions for pensions and similar obligations	1,526	1,409	117
Other provisions	159	336	(177)
Non-current provisions and other liabilities	**1,685**	**1,745**	**(60)**

The item 'Provisions for pensions and similar obligations' includes the supplementary customer indemnity provision payable to agents based on current regulations disciplining the subject. Movements in the period are as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Provisions for pensions: year - beginning	**1,409**	**1,211**	**198**
Uses	(40)	(13)	(27)
Accruals	157	211	(54)
Provisions for pensions: year - end	**1,526**	**1,409**	**117**

The amount, entered under Other Provisions, is intended as cover for risks linked with current legal and tax-related disputes. Changes occurred in the period are as below:

(euro/000)	31/12/2016	31/12/2015	Var.
Other provisions: year-beginning	**336**	**533**	**(197)**
Uses	(293)	(241)	(52)
Accruals	116	44	72
Other provisions: year-end	**159**	**336**	**(177)**

The notes regarding developments on the main disputes involving the Company, for which the company effected the relevant risk assessments and consequently effected accruals to the provision for risks, where considered appropriate, can be found under 'Developments in legal and tax-related disputes' in the notes to the item 'Non-current provisions and other liabilities', in turn in the 'Notes to the consolidated financial statements'.
The Company's and the Group's policies regarding the management of legal and tax-related disputes can be found under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Directors' Report on Operations'.

Current liabilities

27) Trade payables

(euro/000)	31/12/2016	31/12/2015	Var.
Trade payables	459,658	459,998	(340)
Receivables - credit notes	(78,437)	(72,249)	(6,188)
Total trade payables	**381,221**	**387,749**	**(6,528)**

Trade payables decreased by -1.68% compared to the previous year. For further information on this item trend and generally the Working Capital please refer to the developments in the paragraph 'Operating net working capital' in the Directors' Report on Operations.

The 'Receivables – credit notes' mainly refer to the rebates related to commercial targets reached, to various incentives, to reimbursement of joint marketing activities with suppliers and to stocks contractual protections.

28) Short-term financial liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Bank loans and overdrafts	108,792	18,431	90,361
Other financing payables	9,987	7,766	2,221
Short - term financial liabilities	**118,779**	**26,197**	**92,582**

'Bank loans and overdraft' refer for 58.9 million euro (16.4 million euro as at 31 December 2015) to the valuation at the amortized cost of the current portion of the medium-long term loans granted, for 47.8 million to short-term loans (mainly import loan) and for the residual amount to advances of trade bills under usual reserves.

The changes occurred as at 3q December 2015 refer to the followings:

- 16.2 million euro is due to the transfer of the instalments of the 'Term loan facility' signed in July 2014 falling due within 12 months with a nominal value of 65 million euro from the 'Borrowings' item.
- 26.2 million euro is due to the transfer of the additional non-current portions of the Term Loan Facility and of the entire medium-long term loan taken with Unicredit S.p.A. in July 2015, which is intended to hedge potential dilutions under the receivable securitisation transaction realised by the Company amounting to 10 million euro, from 'Borrowings' as a consequence of failure to meet certain financial covenants to which such loans are subject.
- 47.8 million euro is due to higher use of short-term financing.

Further details can be found in the following paragraph 5.1 'Net financial indebtedness and financial liabilities analysis'.

Other financing payables are mainly advances obtained from factoring companies and derive from the usual assignment of credits to the Company through recourse factoring and by outstanding payables received in the name and on behalf of clients transferred under the without-recourse factoring agreement. The debt increase compared to 31 December 2015 is due to higher volumes of receivables factored.

29) Income tax liabilities

(euro/000)	31/12/2016	31/12/2015	Var.
Income tax liabilities	-	36	(36)

The decrease compared to last year is related to the change from a 'debtor' position to a 'creditor' position of the parent company (including income tax liabilities from the IRES 'national consolidated tax regime').

30) Derivative financial liabilities (current)

(euro/000)	31/12/2016	31/12/2015	Var.
Derivative financial liabilities	428	195	233

The amount refers to the 'fair value' of 'IRS-Interest Rate Swap' contracts entered into December 2014 by Esprinet S.p.A. to entirely hedge the risk of interest rate fluctuations on the 'Term Loan Facility' signed with a pool of banks for 65.0 million euro in July 2014 (reduced to 48.8 million euro as effect of capital repayments as at 31 December 2016).

The variation compared to liabilities at previous year end results from both a decrease in reference interest rates and the loans being entirely booked under current liabilities, as a consequence of two covenants under the Term Loan Facility not being satisfied, and of management's willingness to replace this facility resulting in the termination of existing derivatives and to underwrite new interest hedging contracts.

For further details regarding the operation please refer to the sections headed 'Loan and loans covenants' and 'Hedge accounting' under the paragraph 'Disclosure on risks and financial instruments'.

32) Provisions and other liabilities

Provisions and other liabilities include solely payables whose maturity is within the following 12 months.

(euro/000)	31/12/2016	31/12/2015	Var.
Payables to subsidiary and associated companies (A)	**1,244**	**1,115**	**129**
Social security liabilities (B)	**2,497**	**2,497**	**-**
VAT payables	-	4,658	(4,658)
Withholding tax liabilities	45	97	(52)
Other tax liabilities	1,286	1,294	(8)
Other payables to Tax authorities (C)	**1,331**	**6,049**	**(4,718)**
Payables to personnel	2,683	2,910	(227)
Payables to customers	2,812	2,877	(65)
Payables to others	1,646	1,660	(14)
Total other creditors (D)	**7,141**	**7,447**	**(306)**
Accrued expenses and deferred income (E)	**395**	**338**	**57**
Provisions and other liabilities (F=A+B+C+D+E)	**12,608**	**17,446**	**(4,838)**

The breakdown of Payables to subsidiaries and associated companies by type and by single company is as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Celly S.p.A.	252	182	70
EDSlan S.r.l.	767	-	767
V-Valley S.r.l.	-	1	(1)
Esprinet Iberica S.L.U.	78	50	28
Trade payables (A)	**1,097**	**233**	**864**
Celly S.p.A.	-	882	(882)
V-Valley S.r.l.	147	-	147
Payables due to the national cons. tax regime (B)	**147**	**882**	**(735)**
Total payables to subsidiary and associated companies (C=A+B)	**1,244**	**1,115**	**129**

(euro/000)	31/12/2016	31/12/2015	Var.
Celly S.p.A.	252	1,064	(812)
EDSlan S.r.l.	767	-	767
V-Valley S.r.l.	147	1	146
Esprinet Iberica S.L.U.	78	50	28
Total payables to subsidiary and associated companies	**1,244**	**1,115**	**129**

Social security liabilities mainly refer to payables to Welfare Institutions linked to wages and salaries paid in December and to social contributions accrued on deferred monthly payables, monetary incentives included.

Vat payables refer to the VAT matured in December 2016. The zeroing of this item compared to 31 December 2015 referred to the position turning from payable to receivable.

Other tax liabilities are mainly taxes withheld by the Company from employees' income of December and from fees to consultants.

Payables to customers mainly refer to both accounting movements linked to the trade receivables securitisation transaction and credit notes not yet settled relating to current trading relationships.

Payables to personnel refer to deferred monthly payables (holidays not taken, year-end bonus, summer salary, monetary incentives included) accrued at the end of the year.

Payables to others include payables amounting to 1.3 million euro to Directors for fees accrued and unpaid relating to the year (1.3 million in 2015), as well as payables of 0.3 million euro to the Company's agents' network relating to commissions due and payable.

Accrued expenses and deferred income are, respectively, charges/income whose accrual date is anticipated/deferred compared with the cash expenditure/collection.

4. Guarantees, commitments and potential risks

Commitments and potential risks

(euro/000)	31/12/2016	31/12/2015	Var.
Third-party assets on consignment to the Company	24,978	11,295	13,683
Bank guarantees issued in favour of subsidiaries	188,943	139,559	49,384
Bank guarantees issued in favour of other companies	11,302	11,487	(185)
Total guarantees issued	**225,224**	**162,341**	**62,883**

Third-party assets on consignment to the Group

It refers to the value of goods owned by third parties deposited at the Esprinet S.p.A. warehouses.

Bank guarantees issued for the benefit of subsidiaries

The amount refers to letters of credit or comfort letters issued in favour of some banks and factor companies as guarantee for credit limits granted to Esprinet subsidiaries as well as guarantees to some suppliers. The change compared to the previous year mainly refers to the increase in guarantees on behalf of the subsidiaries Mosaico S.r.l. (5.0 million euro) and Vinzeo Technologies S.A.U. (45 million euro).

Bank guarantees issued in favour of other companies

The amount mainly refers to bank guarantees issued for deposits in relation to property lease agreements entered into in Italy, and bank and insurance suretyships issued to the Public Administration in order to participate in tenders for services or supplies. The change compared to the previous year refers mainly to the termination of the existing guarantee as well as to their decrease.

5. Notes to income statement items

In order to complete this section, please consider that other analysis on Esprinet S.p.A. economic results have been provided in the Directors' report on operations, after tables on Group results.

33) Sales

The following are some breakdowns of sales performance. Sales by product family and by customer type has been moved to Directors' report on operations.

Sales by products and services.

(euro/million)	2016	%	2015	%		% *Var.*
Product sales	1,936.1	79.4%	2,006.8	85.5%	(70.7)	*-1%*
Services Sales	15.7	0.3%	8.4	0.2%	7.3	*87%*
Sales	**1,951.8**	**79.7%**	**2,015.2**	**85.6%**	**(63.4)**	***-1%***

Sales by geographical segment.

(euro/million)	2016	%	2015	%	Var.	% *Var.*
Italy	1,884.5	61.9%	1,953.8	72.5%	(69.3)	-3.5%
Other EU countries	49.1	1.6%	53.1	2.0%	(4.0)	-7.6%
Extra EU countries	18.2	0.6%	8.3	0.3%	9.9	119.7%
Group sales	**1,951.8**	**64.1%**	**2,015.2**	**74.8%**	**(63.4)**	**-3.1%**

Sales in other E.U. countries mainly refer to sales to the Spanish subsidiary Esprinet Iberica S.L.U; sales to extra E.U. countries refer almost wholly to sales to clients whose residence is in the Republic of San Marino.

35) Gross profit

(euro/000)	2016	%	2015	%	Var.	% *Var.*
Sales	1,951,845	100.00%	2,015,161	100.00%	(63,316)	*-3%*
Cost of sales	1,848,573	94.71%	1,901,464	94.36%	(52,891)	*-3%*
Gross profit	**103,272**	**5.29%**	**113,697**	**5.64%**	**(10,425)**	***-9%***

Gross profit equal to 103.3 million euro showed a decrease of -9% compared to 113.7 million euro of 31 December 2015 as a consequence of lower sales and a gross profit margin decreased from 5.64% to 5.29%.

As it is prevalent in the sectors where the Company operates, the cost of sales is adjusted downwards to take into account the premiums, premiums/rebates for having achieved targets, development provisions and co-marketing, cash discounts (so-called 'prompt payment discounts') and other incentives.
This is further reduced by the credit notes issued by vendors in relation to protection agreed for the value of stock.

Gross profit is affected by the difference between the amount of trade receivables sold 'without-recourse' to factoring companies within the usual revolving programmes and the amounts collected. This is calculated as approx. 3.3 million euro for this operating year (2.5 million euro in 2015).

37-38) Operating costs

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**1,951,845**		**2,015,161**		**(63,316)**	**-3%**
Sales and marketing costs	30,204	1.55%	29,457	1.46%	747	3%
Overheads and administrative costs	53,556	2.74%	49,803	2.47%	3,753	8%
Operating costs	**83,760**	**4.29%**	**79,260**	**3.93%**	**4,500**	**6%**
- of which non recurring	3,447	0.18%	322	0.02%	3,125	624%
'Recurring' operating costs	**80,313**	**4.11%**	**78,938**	**3.92%**	**1,375**	**1%**

2016 operating costs of 83.8 million euro increased by 6% compared to 2015, with an operating costs margin up from 3.93% in 2015 to 4.29% in 2016.

In 2016 costs relating to business combinations implemented in Italy (EDSlan S.r.l. e Mosaico S.r.l.) and in Spain (Vinzeo Technologies S.A.U.) equal to 2.0 million euro, costs incurred for the enlargement of the logistic hub in Cavenago equal to 1.0 million euro, as well as staff severance indemnities with respect to key personnel of the Company amounting to 0.5 million euro, were recognised as non-recurring item totalling 3.4 million euro.

The following table gives a detailed breakdown of operating costs and their performance in the two years compared:

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**1,951,845**		**2,015,161**		**(63,316)**	**-3%**
Sales & marketing personnel costs	25,940	1.33%	25,055	1.24%	885	4%
Other sales & marketing costs	4,264	0.22%	4,402	0.22%	(138)	-3%
Sales & marketing personnel costs	**30,204**	**1.55%**	**29,457**	**1.46%**	**747**	**3%**
Administr., IT, HR and general service personnel costs	15,282	0.78%	15,132	0.75%	150	1%
Directors' compensation	3,975	0.20%	4,014	0.20%	(39)	-1%
Consulting services	4,973	0.25%	3,358	0.17%	1,615	48%
Logistics services	13,628	0.70%	12,354	0.61%	1,274	10%
Amortisation, depreciation and provisions	2,481	0.13%	2,085	0.10%	396	19%
Other overheads and administrative costs	13,217	0.68%	12,860	0.64%	357	3%
Overheads and administrative costs	**53,556**	**2.74%**	**49,803**	**2.47%**	**3,753**	**8%**
Total SG&A	**83,760**	**4.29%**	**79,260**	**3.93%**	**4,500**	**6%**

Sales and marketing costs mainly include the following:

- costs relating to personnel working in the marketing, sales and Web functions, corresponding social security contributions and accessory charges;
- agents and other commercial freelance charges;
- management cost for the Cash and Carry shops.

Overheads and administrative costs include:

- costs relating to management and administrative personnel, including the EDP area, human resources, general services and logistic costs;
- fees paid to corporate bodies and the related charges, travel, board and lodging expenses as well as remuneration of the stock option plans;
- business consultancy, EDP consultancy to develop software and assistance with IT systems and payments to other consultants and free-lance personnel (for auditing services, real estate, tax, legal and various other consultancy services);
- postal, telephone and telecommunications costs;
- depreciation of tangible fixed assets, goodwill write-downs, amortisation of intangible fixed assets (assets relating to logistic equipment and plants allocated by function to sales costs excluded) and also provisions for risks and write-downs;
- overheads and administrative costs, among which, leasing of premises, utilities, bank charges and commission, insurance, data connections and telephone costs.

Reclassification by nature of some categories of costs

For the purposes of providing more information, some categories of operating costs allocated by 'function' have been reclassified by 'nature'.

Amortisation, depreciation, write-downs and accruals for risks

(euro/000)	2016	%	2015	%		% Var.
Sales	**1,951,845**		**2,015,161**		**(63,316)**	***-3%***
Depreciation of tangible assets	2,406	0.12%	2,066	0.10%	340	*16%*
Amortisation of intangible assets	303	0.02%	326	0.02%	(23)	*-7%*
Amort . & depreciation	**2,709**	**0.14%**	**2,392**	**0.12%**	**317**	***13%***
Write-downs of fixed assets	-	0.00%	-	0.00%	-	*0%*
Amort. & depr., write-downs (A)	**2,709**	**0.14%**	**2,392**	**0.12%**	**317**	***13%***
Accruals for risks and charges (B)	311	0.02%	256	0.01%	55	*21%*
Amort. & depr., write-downs, accruals for risks (C=A+B)	**3,020**	**0.15%**	**2,648**	**0.13%**	**372**	***14%***

(euro/000)	2016	2015	Var.
Depreciation of tangible assets increasing the accumulated deprec.	2,644	2,256	388
Debited to subsidiaries	(238)	(174)	(64)
Debited to disposal groups	-	-	-
Other	-	(16)	16
Depreciation of tangible assets	**2,406**	**2,066**	**340**
Amortisation of intangible assets increasing the accumulated deprec.	431	451	(20)
Debited to subsidiaries	(128)	(112)	(17)
Debited to disposal groups	-	-	-
Other	-	(14)	14
Amortisation of intangible assets	**303**	**326**	**(23)**

Both depreciations and amortisations of assets contains the adjustments showed in the second table, useful in marching the values to the corresponding tables of asset movements.

Group personnel cost

(euro/000)	2016	%	2015	%	Var.	*% Var.*
Sales	**1,951,845**		**2,015,161**		**(63,316)**	***-3%***
Wages and salaries	24,024	1.23%	23,189	1.15%	835	*4%*
Social contributions	7,171	0.37%	7,089	0.35%	82	*1%*
Pension obligations	1,833	0.09%	1,774	0.09%	59	*3%*
Other personnel costs	795	0.04%	830	0.04%	(35)	*-4%*
Employee termination incentives	511	0.03%	406	0.02%	105	*26%*
Share incentive plans	385	0.02%	335	0.02%	50	*15%*
Total labour costs [1]	**34,719**	**1.78%**	**33,623**	**1.67%**	**1,096**	***3%***

[1] Costs of temporary workers excluded.

Labour costs, amounting to 34.7 million euro in 2016, increased by +3% compared to the previous year as a consequence of the higher headcount.

Details of the Company's employees at 31 December 2016, broken down by qualification, can be found under 'Human Resources' in the 'Directors' Report on Operations'.

Share incentive plans

On 30 June 2015, free stock grants under the Long Term Incentive Plan approved by the Shareholders' meeting dated 30 April 2015 were allotted.
Esprinet S.p.A. owned only 31.400 of the ordinary shares underlying the abovementioned Plan, with a face value of 0.15 euro each. Therefore during 2015 it acquired the remaining amount relating to the 646,889 rights granted.
This plan was booked at 'fair value' as at grant date by adopting the Black-Scholes method, taking into account the expected volatility, the foreseen dividend yield (as per the latest dividend distribution to shareholders) and the level of the risk-free interest rate at that date.
In the prior year, on 30 April 2015, a previous 'Long Term Incentive Plan' vested, which was approved by Esprinet S.p.A. Shareholders' Meeting of 9 May 2012, and which is also conditional upon the achievement of some revenue targets in the period 2012-2014, and the beneficiary being still employed by the Group at the date the 2015 Consolidated Financial Statements were presented.
On 19 May 2015 following the full achievement of the revenue objectives, no. 1,150,000 shares already available by the issuer have been delivered to the beneficiaries.

The main information items used in reporting the value of both the stock grant plans are summarized as follows:

	Plan 1	Plan 2
Allocation date	14/05/12	30/06/15
Vesting date	30/04/15	30/04/18
Expiry date	30/06/15	30/06/18
Total number of stock grant	1,150,000	1,150,000
Total number of stock grant allocated	1,150,000	646,889
Total number of stock grant allowed	1,150,000	646,889
Unit fair value (euro)	2.38	6.84
Total fair value (euro)	2,737,897	4,424,721
Risk free interest rate (BTP 3 years)	1.1% (1)	0.7% (2)
Implied volatility (260 days)	47.4% (1)	40.9% (2)
Duration (years)	3	3
Spot price (3)	2.64	7.20
Dividend yield	3.4%	1.7%

(1) Source: Bloomberg, 11 May 2012
(2) Source: Bloomberg, 29 June 2015
(3) Official price of Esprinet S.p.A. shares at assignment date

Costs in the income statement relating to the abovementioned plans with contra entry in the item 'Reserve' of the Statement of Financial Position, totalled 385 thousand euro with reference to the employees (335 thousand euro in 2015, 73 thousand of which referring to the plan closed in the same year) and 926 thousand euro with reference to Board of Directors' members (694 thousand euro in 2015, 231 thousand of which referring to the plan expired on 30 April 2015).

Costs relating to operating leasing are detailed in the table below:

(euro/000)	2016	%	2015	%	Var.	*% Var.*
Sales	**1,951,845**		**2,015,161**		**(63,316)**	***-3%***
Lease of buildings	6,656	0.34%	6,759	0.34%	(103)	*-2%*
Lease of cars	990	0.05%	722	0.04%	268	*37%*
Lease of equipment	193	0.01%	46	0.00%	147	*320%*
Lease of data connection lines	63	0.00%	90	0.00%	(27)	*-30%*
Housing CED	148	0.01%	148	0.01%	-	*0%*
Leasing costs	**8,050**	**0.41%**	**7,765**	**0.39%**	**285**	***4%***

Commitments for future payments pertaining to leasing rentals and operating leasing are as follows:

(euro/000)	2017	2018	2019	2020	2021	Over	Total
Lease of buildings	7,957	8,048	7,909	7,764	7,684	4,361	43,723
Lease of cars	1,079	844	590	234	6	-	2,753
Lease of equipment	43	-	-	-	-	-	43
Lease of data connection lines	77	-	-	-	-	-	77
Housing CED	111	-	-	-	-		111
Leasing costs	**9,267**	**8,892**	**8,499**	**7,998**	**7,690**	**4,361**	**46,707**

42) Finance costs – net

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**1,951,845**		**2,015,161**		**(63,316)**	***-3%***
Interest expenses on borrowings	1,770	0.09%	1,907	0.09%	(137)	*-7%*
Interest expenses to banks	468	0.02%	318	0.02%	150	*47%*
Other interest expenses	15	0.00%	20	0.00%	(5)	*-24%*
Upfront fees amortisation	478	0.02%	410	0.02%	68	*17%*
IAS 19 expenses/losses	70	0.00%	57	0.00%	13	*23%*
Total financial expenses (A)	**2,801**	**0.14%**	**2,712**	**0.13%**	**89**	***3%***
Interest income from banks	(57)	0.00%	(312)	-0.02%	255	*-82%*
Interest income from others	(117)	-0.01%	(138)	-0.01%	21	*-15%*
Interest incomes from intercompany	(1,142)	-0.06%	(759)	-0.04%	(383)	*51%*
Derivatives ineffectiveness	(8)	0.00%	(369)	-0.02%	361	*-98%*
Total financial income(B)	**(1,324)**	**-0.07%**	**(1,578)**	**-0.08%**	**254**	***-16%***
Net financial exp. (C=A+B)	**1,477**	**0.08%**	**1,134**	**0.06%**	**343**	***30%***
Foreign exchange gains	(442)	-0.02%	(370)	-0.02%	(72)	*19%*
Foreign exchange losses	873	0.04%	1,225	0.06%	(352)	*-29%*
Net foreign exch. (profit)/losses (D)	**432**	**0.02%**	**855**	**0.04%**	**(423)**	***-49%***
Net financial (income)/costs (E=C+D)	**1,909**	**0.10%**	**1,989**	**0.10%**	**(80)**	***-4%***

The negative balance of 1.9 million euro between financial income and charges is almost unchanged compared to the previous year.

The abovementioned trend was mainly due to the positive impact of the foreign exchange management (+0.4 million euro), which recorded a loss of 0.8 million euro in 2015 as compared to a loss of 0.4 million euro in 2016, only partially offset by a worsening in the net interest to banks, negative by 2.2 million euro at 31 December 2016 compared to 1.9 million euro in 2015. This is an effect of an increase in the average short-term debt levels to banks, in combination with a decline in interest rates as compared to previous year.

An increase in interest receivables on loans to Group companies (+0.4 million euro), following higher volumes provided, and a related reduction in gains on derivatives, should be noticed.

43) Other investments expenses / (incomes)

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**1,951,845**		**2,015,161**		**(63,316)**	***-3%***
Other investments expenses / (incomes)	-	0.00%	(19)	0.00%	019	*-100%*

This item reflects the value change in the associated company Assocloud S.r.l.
The variation compared to 31 December 2015 is due to the disposal of 9.52% share on 28 April 2016.

45) Income tax expenses

(euro/000)	2016	%	2015	%	Var.	% Var.
Sales	**1,951,845**		**2,015,161**		**(63,316)**	***-3%***
Current tax - IRES (Corporation income tax)	3,379	0.17%	7,486	0.37%	(4,107)	*-55%*
Current tax - IRAP (Regional tax on productive activities)	1,026	0.05%	1,584	0.08%	(558)	*-35%*
Rainboursement IRES	(66)	0.00%	(25)	0.00%	(41)	*164%*
Current income taxes	**4,339**	**0.22%**	**9,045**	**0.45%**	**(4,706)**	***-52%***
Deferred tax - IRES (Corporation income tax)	502	0.03%	434	0.02%	68	*16%*
Deferred tax - IRAP (Regional tax on productive activities)	24	0.00%	7	0.00%	17	*243%*
Deferred income taxes	**526**	**0.03%**	**441**	**0.02%**	**85**	***19%***
Total tax - IRES (Corporation income tax)	3,815	0.20%	7,895	0.39%	(4,080)	*-52%*
Total tax - IRAP (Regional tax on productive activities)	1,050	0.05%	1,591	0.08%	(541)	*-34%*
Total taxes	**4,865**	**0.25%**	**9,486**	**0.47%**	**(4,621)**	***-49%***

Income taxes, amounting to 4.9 million euro, dropped by -4.6 million euro versus last year.

The following table illustrates the reconciliation between the theoretical and the effective tax rate:

(euro/000)	2016	2015
Profit before taxes [A]	**17,603**	**32,429**
Operating profit (EBIT)	**19,512**	**34,437**
(+) personnel costs (1)	-	-
(+) bad debt provision	348	328
(+) provision for risks and charges	273	255
Taxable amout for IRAP [B]	**20,133**	**35,020**
Theoretical taxation IRES [A*27,5%]	4,841	8,918
Theoretical taxation IRAP [B*3,9%]	785	1,366
Total theoretical taxation [C]	**5,626**	**10,284**
Theoretical tax rate [C/A]	***32.0%***	***31.7%***
(-) tax relief - ACE (Aiuto alla Crescita Economica)	(1,059)	(983)
Other permanent differences	298	185
Total effective taxation [D]	**4,865**	**9,486**
Effective tax rate [D/A]	***27.6%***	***29.3%***

6. Other significant information

6.1 Emoluments paid to the board members, statutory auditors and key managers

Disclosure in accordance with CONSOB Resolution 11971 dated 14 May 1999 and in compliance with the following amendments introduced with resolution 15520 dated 27 July 2006, regarding the emoluments of directors, statutory auditors of Esprinet S.p.A. and 'Key Managers', payable to them in respect of the positions held by them in the company during the year can be found in the paragraph of the same name in the 'Notes to the consolidated financial statements'.

6.2 Net financial indebtedness and financial liabilities analysis

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, the net financial indebtedness (or 'net financial position' also) is substantially calculated in compliance with the criteria specified in the CESR or Committee of European Securities Regulators recommendation of 10 February 2005: 'CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses nº 809/2004' and referred to by Consob itself.

(euro/000)	31/12/2016	31/12/2015
A. Bank deposits and cash on hand	80,099	205,991
B. Cheques	10	2
C. Trading securities	-	-
D. Liquidity (A+B+C)	80,109	205,993
Financial assets for derivatives		
Customer financial receivables	*509*	*507*
Financial receivables from factoring companies	*1,176*	*1,152*
Financial receivables from Group companies	*151,500*	*55,000*
E. Current financial receivables	153,185	56,659
F. Current bank debt	49,867	2,016
G. Current portion of non current debt	58,925	16,415
H. Other current financial debt and financial liability for derivatives	10,415	7,961
I. Current financial debt (F+G+H)	119,207	26,392
J. Net current financial indebtedness (I-E-D)	**(114,087)**	**(236,260)**
K. Non-current bank loans	2,252	61,138
L. Customers financial receivables	(2,292)	(2,696)
M. Non-current financial liabilities for derivatives	(377)	(145)
N. Non-current financial indebtedness (K+L+M)	**(417)**	**58,297**
O. Net financial indebtedness (J+N)	**(114,504)**	**(177,963)**
Breakdown of net financial indebtedness:		
Short-term financial liabilities	118,779	26,197
Current financial (assets)/liabilities for derivatives	428	195
Customers financial receivables	(509)	(507)
Financial receivables from factoring companies	(1,176)	(1,152)
Financial receivables/liabilities from/to Group companies	(151,500)	(55,000)
Cash and cash equivalents	(80,109)	(205,993)
Net current financial debt	**(114,087)**	**(236,260)**
Non-current financial (assets)/liabilities for derivatives	(377)	(145)
Customers financial receivables	(2,292)	(2,696)
Borrowings	2,252	61,138
Net financial debt	**(114,504)**	**(177,963)**

With reference to the same table, it should be underlined that the net financial indebtedness, measured according to the CESR criteria, coincides with the notion of 'net financial debt'.

The Company's net financial debt, showing a surplus of 114.5 million euro, results from the balance between gross financial debt of 121 million euro, financial liabilities for derivatives of 0.1 million euro, financial receivables from factoring companies of 1.2 million euro, financial receivables from Group companies of 151.5 million euro, customers financial receivables of 2.8 million euro and cash and cash equivalents of 80.1 million euro.

The liquid assets mainly consist of free and unrestricted bank deposits of a transitional nature as they are formed temporarily at the end of the month as a result of the Company's distinctive financial cycle.
A feature of this cycle is the high concentration of funds received from customers and factoring companies – the latter in the form of net income from the non-recourse assignment of trade receivables – normally received at the end of each calendar month, while payments to suppliers, also tending to be concentrated at the end of the period, are usually spread more equally throughout the

month. For this reason, the spot figure at the end of a period does not represent the net financial borrowings or the average treasury resources for the same period.

The without-recourse sale of account receivables revolving programme focussing on the large-scale distribution sector in particular, continued during 2016 as part of the processes aimed at the structural optimisation of the management of working capital. In addition, in July 2015 a securitization program of other trade receivables was started in Italy. This program is aimed at transferring risks and rewards to the buyer thus receivables sold are eliminated from balance sheet according to IAS 39. The impact of 'without-recourse' sale of trade receivables as at 31 December 2016 was equal to 131 million euro (approx. 145 million euro as at 31 December 2015).

Details of the current portion of medium-/long-term financial debt and the portion falling due beyond the following year are illustrated below. It has to be noted that amounts can differ from the book value of loan principal since they represent the amortised cost calculated on the basis of the real interest rate.

(euro/000)	31/12/2016			31/12/2015			Var.		
	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.	Curr.	Non curr.	Tot.
Pool loan (ag. Banca IMI)	48,539	-	48,539	16,047	48,502	64,549	32,492	(48,502)	(16,010)
Intesa Sanpaolo (GdF loan)	386	2,252	2,638	368	2,636	3,004	18	(384)	(366)
Unicredit	10,000	-	10,000	-	10,000	10,000	10,000	(10,000)	-
Total loan	**58,925**	**2,252**	**61,177**	**16,415**	**61,138**	**77,553**	**42,510**	**(58,886)**	**(16,376)**

6.3 Loans and loan covenants

The book value of loan principal of the loans granted to the Company is as follows:

(euro/000)	31/12/2016	31/12/2015	Var.
Pool loan 'GdF' (agent: Intesa Sanpaolo) to Esprinet S.p.A. repayable in 9 yearly instalments by January 2022	2,696	3,085	(389)
Unsecured pool loan (agent: Banca IMI) to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	48,750	65,000	(16,250)
Unsecured loan (agent: Unicredit) to Esprinet S.p.A. repayable in 1 six-monthly instalments by July 2019	10,000	10,000	-
Total book value of loan principal	**61,446**	**78,085**	**(16,639)**

The weighted average rate used during 2016 on the above loans was approx. 2.2% (approx. 2.4% in the previous year).

The loan agreement whose principal has a book value amounting to 48.8 million euro, consisting of a Term Loan Facility entered with a pool of banks, received in August 2014 and expiring within July 2019 and the loan agreement with a principle book value amounting to 10 million euro taken with Unicredit S.p.A. in July 2015 and expiring in July 2019, both are subject to the compliance of 3 covenants, the failure of which allow the issuing institutes to claim their immediate repayment.

These covenants, which are subject to 6-monthly checks against the audited consolidated financial statements are listed as follows:

i) ratio between 'extended net financial indebtedness' and EBITDA;
ii) ratio between EBITDA and net financial charges
iii) amount of 'extended net financial indebtedness'

where 'extended net financial indebtedness' is the net financial indebtedness as measured in the previous paragraph Net financial indebtedness and financial liabilities analysis gross of financial receivables and of the impact of prepayments received from factoring companies within the 'without recourse' sale of account receivables programs or from other financial counterparts within account receivables securitisations.

In addition a Revolving Facility, entered into in the same date, and having the same maximum loan principal and maturity as the Term Loan Facility, drawn on average by 25.2 million euro during 2016 and used by 15.0 million euro at 31 December 2016. Main purpose of the Revolving Facility and of the Term Loan Facility is to support Group's financial needs by maintaining an adequate level of stability and flexibility of the financial structure.

At 31 December 2016 according to the management estimates (to be checked against the consolidated and audited financial statements), two covenants were not met. Accordingly, the loans were entirely classified under the 'current liabilities' following IFRSs standards.

As better detailed in the paragraph named 'Subsequent events' in the Directors' Report on Operations, on 28 February 2017 the Term Loan Facility and the Revolving Facility were entirely repaid when a new agreement was signed with a pool of banks (comprising 6 of the 8 lenders under the previous loans) for an amount up to 210.0 million euro aimed, among other things, at the repayment of the existing loans.

The lending banks had unanimously granted a waiver relating to these loans in July 2016 after the 40 million euro threshold in extraordinary transactions was exceeded, without formalising a prior consent by the 2/3 majority of them.

With respect to the loan taken with Unicredit S.p.A., a waiver will be formally requested to the granting institute, since it belongs to both the new and the old pool of banks.
Loan contracts also contain the usual 'negative pledge', 'pari passu' and similar type clauses none of which were breached at the time this report was drafted.

6.4 Cash flow analysis

(euro/000)	2016	2015
Net financial debt at start of the year	**(177,963)**	**(139,694)**
Cash flow provided by (used in) operating activities	(43,324)	59,924
Cash flow provided by (used in) investing activities	(11,429)	(14,203)
Cash flow provided by (used in) changes in net equity	(7,733)	(6,471)
Total cash flow	**(62,486)**	**39,250**
Unpaid interests	(973)	(981)
Net financial position at end of year	**(114,504)**	**(177,963)**
Short-term financial liabilities	118,779	26,197
Customers financial receivables	(509)	(507)
Current financial (assets)/liabilities for derivatives	428	195
Financial receivables from factoring companies	(1,176)	(1,152)
Financial (assets)/liab. From/to Group companies	(151,500)	(55,000)
Cash and cash equivalents	(80,109)	(205,993)
Net current financial debt	**(114,087)**	**(236,260)**
Borrowings	2,252	61,138
Non-current financial (assets)/liab. for derivatives	(377)	(145)
Customers financial receivables	(2,292)	(2,696)
Net financial debt at start of the year	**(114,504)**	**(177,963)**

As shown in the table, as a result of cash flow developments detailed in the cash flow statement, Esprinet S.p.A. books a cash surplus equal to 114.5 million euro compared to 177.9 million euro as at 31 December 2015.

6.5 Shareholdings

Here's following the Shareholding Schedule with data referring to the IFRS 'reporting package' at 31 December 2016 of the single entities where the Company owns shareholdings:

Subsidiaries:

N.	Name	Headquarters	Interest held	Group interest held
1	Celly S.p.A.	Vimercate (MB) - Italy	80.00%	80.00%
2	EDSlan S.r.l.	Vimercate (MB) - Italy	100.00%	100.00%
3	Mosaico S.r.l.	Vimercate (MB) - Italy	100.00%	100.00%
4	V-Valley S.r.l.	Vimercate (MB) - Italy	100.00%	100.00%
5	Esprinet Iberica S.L.U.	Saragozza - Spain	100.00%	100.00%
6	Esprinet Portugal Lda	Porto - Portugal	5.00%	100.00%

N.	Name	Currency	Share capital	Net equity	Result for the period	Carrying amount
1	Celly S.p.A.	EUR	1,250,000	4,714,910	864,215	9,934,440
2	EDSlan S.r.l.	EUR	100,000	9,783,112	3,226,578	6,540,000
3	Mosaico S.r.l.	EUR	100,000	514,578	417,527	100,000
4	V-Valley S.r.l.	EUR	20,000	1,787,878	139,693	20,000
5	Esprinet Iberica S.L.U.	EUR	54,692,844	87,780,064	5,364,559	75,775,867
6	Esprinet Portugal Lda	EUR	1,000,000	392,355	(308,230)	50,000

Compared to 31 December 2015 EDSlan S.r.l, and Mosaico S.r.l. entered the consolidation area. It should be highlighted that on 28 April 2016, Esprinet S.p.A. sold its shares (equal to 9.52% of the total share capital) in the associated company Assocloud S.r.l..

For further information please refer to the paragraph 'Significant events occurred in the period'.

6.6 Summary of subsidiaries' main financial and economic figures

In the following tables the subsidiaries' main draft financial statements as at 31 December 2016 approved by the respective Boards of Directors are shown. Please note that the financial statements have been drawn up in accordance with local accounting policies.

(euro/000)	Celly S.p.A.	EDSlan S.r.l.	Mosaico S.r.l.	V-Valley S.r.l.	Esprinet Iberica S.L.U.
Sales	30,277	54,890	11,042	101,363	711,120
Cost of sales	(17,185)	(47,264)	(10,128)	(100,258)	(683,503)
Gross profit	**13,092**	**7,626**	**913**	**1,106**	**27,617**
Sales and marketing costs	(8,093)	(4,197)	(182)	-	(5,916)
Overheads and administrative costs	(3,606)	(2,616)	(127)	(907)	(19,183)
Operating income (EBIT)	**1,393**	**814**	**605**	**199**	**2,517**
Finance costs - net	(279)	(122)	(48)	2	(1,181)
Other investments expenses / (incomes)	-	-	-	-	-
Profit before income taxes	**1,114**	**692**	**556**	**200**	**1,336**
Income tax expenses	(301)	(223)	(177)	(61)	(216)
Net profit before non-controlling in	**1,415**	**468**	**379**	**140**	**1,553**
Net income	**813**	**468**	**379**	**140**	**1,120**

(euro/000)	Celly S.p.A.	EDSlan S.r.l.	Mosaico S.r.l.	V-Valley S.r.l.	Esprinet Iberica S.L.U.
ASSETS					
Non-current assets					
Property, plant and equipment	318	288	-	-	2,848
Goodwill	-	-	2,458	-	52,705
Intangible assets	44	370	38	-	6
Investments in associates	9	-	-	-	-
Investments in others	22	-	-	-	76,466
Deferred income tax assets	411	193	-	40	4,890
Receivables and other non-current assets	10	15	-	-	306
	815	**866**	**2,496**	**40**	**137,222**
Current assets					
Inventory	6,261	7,906	1,323	-	56,358
Trade receivables	11,079	36,997	15,704	28,958	33,185
Income tax assets	18	-	-	2	-
Other assets	3,018	1,322	12	1,054	4,720
Cash and cash equivalents	2,430	1,095	1,718	2,452	86,941
	22,805	**47,320**	**18,757**	**32,466**	**181,204**
Non-current assets held for sale	-	-	-	-	-
Total assets	**23,620**	**48,186**	**21,253**	**32,506**	**318,426**
EQUITY					
Share capital	1,250	100	100	20	55,203
Reserves	2,265	9,314	-	1,628	26,892
Net income for the period	813	468	379	140	1,120
	4,328	**9,882**	**479**	**1,788**	**83,215**
Non-controlling interests					
Total equity	**4,328**	**9,882**	**479**	**1,788**	**83,215**
LIABILITIES					
Non-current liabilities					
Borrowings	3,000	597	-	-	-
Deferred income tax liabilities	9	30	-	-	1,482
Retirement benefit obligations	425	494	359	-	-
Provisions and other liabilities	500	233	97	-	595
	3,933	**1,354**	**456**	**-**	**2,077**
Current liabilities	-				
Trade payables	4,882	18,812	8,003	53	102,541
Short-term financial liabilities	6,013	12,628	10,000	46	115,312
Income tax liabilities	-	59	177	-	494
Provisions and other liabilities	4,465	5,451	2,839	30,619	14,787
	15,359	**36,950**	**20,318**	**30,718**	**233,134**
Total liabilities	**19,292**	**38,304**	**20,774**	**30,718**	**235,211**
Total equity and liabilities	**23,620**	**48,186**	**21,253**	**32,506**	**318,426**

6.7 Relationships with related entities

In next paragraphs balances of the statement of financial position and of the separate income statement deriving from operations with related parties (as defined by IAS 24), except for relationships with members of the key management that are detailed in the paragraph with the same name are summarised and explained.

6.7.1 Intercompany costs and revenues

Details of revenues and costs recorded by Esprinet S.p.A. in relation to the companies belonging to the Group are as follows:

(euro/000)	Type	2016		2015	
		Sales	Costs	Sales	Costs
Sales					
Edslan S.r.l.	Sale of goods	3,294	-	-	-
Mosaico S.r.l.	Sale of goods	463	-	-	-
Esprinet Iberica S.L.U.	Sale of goods	45,081	-	42,201	-
Celly Nordic OY	Sale of goods	18	-	95	-
Celly S.p.A.	Sale of goods	1,651	-	457	-
Subtotal		**50,507**	**-**	**42,752**	**-**
Cost of sales					
Edslan S.r.l.	Purchase of goods	-	1,595	-	-
V-Valley S.r.l.	Transport costs	-	(4)	-	(62)
Esprinet Iberica S.L.U.	Purchase of goods	-	256	-	213
Esprinet Iberica S.L.U.	Transport costs	-	-	-	(7)
Celly S.p.A.	Transport costs	-	(7)	-	(8)
Celly S.p.A.	Purchase of goods	-	745	-	1,668
Subtotal		**-**	**2,585**	**-**	**1,805**
Sales and marketing costs					
V-Valley S.r.l.	Fees on sales	-	1,498	-	1,335
V-Valley S.r.l.	Labour costs	-	-	-	(6)
Esprinet Iberica S.L.U.	Marketing costs	-	-	-	68
Esprinet Iberica S.L.U.	Labour costs	-	(18)	-	(64)
Esprinet Portugal Lda	Labour costs	-	-	-	(15)
Celly S.p.A.	Marketing costs	-	4	-	-
Celly S.p.A.	Labour costs	-	(37)	-	(91)
Subtotal		**-**	**1,447**	**-**	**1,226**
Overheads and administrative costs					
Edslan S.r.l.	Hardware and software support costs	-	(7)	-	-
Edslan S.r.l.	Hardware costs	-	68	-	-
Edslan S.r.l.	Administrative services	-	10	-	-
Edslan S.r.l.	Administrative services	-	(177)	-	-
V-Valley S.r.l.	Hardware and software support costs	-	(35)	-	(40)
V-Valley S.r.l.	Administrative services	-	(81)	-	(77)
Esprinet Iberica S.L.U.	Hardware and software support costs	-	(868)	-	(854)
Esprinet Iberica S.L.U.	Administrative services	-	(53)	-	(45)
Esprinet Portugal Lda	Hardware and software support costs	-	(28)	-	(35)
Esprinet Portugal Lda	Administrative services	-	(54)	-	(30)
Celly S.p.A.	Hardware and software support costs	-	(89)	-	(256)
Celly S.p.A.	Administrative services	-	(755)	-	(720)
Subtotal		**-**	**(2,069)**	**-**	**(2,057)**
Finance costs - net					
Celly S.p.A.	Interest income	60	-	54	-
Edslan S.r.l.	Interest income	102	-	-	-
Esprinet Portugal Lda	Interest income	50	-	-	-
Mosaico S.r.l.	Interest income	8	-	-	-
V-Valley Iberian S.l.u.	Interest income	4	-	-	-
Esprinet Iberica S.L.U.	Interest income	918	-	706	-
Subtotal		**1,142**	**-**	**759**	**-**
Total		**51,649**	**1,963**	**43,512**	**974**

Relationships with associated companies

The relationships with the associated company Assocloud S.r.l. are shown in the table below.

(euro/000)	Type	2016				2015			
		Sales	Costs	Receiv.	Payab.	Sales	Costs	Receiv.	Payab.
Assocloud S.rl.	Sales from services	-	-	-	-	71	-	156	-
Assocloud S.rl.	Lease payment	-	21	-	-	-	91	-	-
Assocloud S.rl.	Purchase of goods	-	-	-	-	-	43	-	209
Assocloud S.rl.	Consulting	-	-	-	-	-	7	-	-
Total		**-**	**21**	**-**	**-**	**71**	**141**	**156**	**209**

With reference to Assocloud S.r.l. sold by Esprinet on 28 April 2016 the value of sales and expenses classified by nature and accrued at the date of sale was reported.
During the year Esprinet S.p.A. had no relationships with subsidiaries or associated companies outside the consolidation perimeter.

6.7.2 Relationships with subsidiaries

The following is a summary of the Esprinet S.p.A.'s relationships with its subsidiaries. Intercompany receivables and payables have been detailed in the 'Notes to the statement of financial position items'. Intercompany costs and revenues have been detailed in the previous paragraph.
Please note that the relationships between Esprinet S.p.A. and its subsidiaries have been conducted in accordance with market conditions.

Relationships with subsidiaries subject to management and coordination activities

Esprinet S.p.A. manages and co-ordinates activities of the subsidiaries resident in Italy.
This activity consists in setting general and operational strategic policies for the Group, drafting general policies regarding human and financial resources management, defining and adapting:
- the corporate governance and internal control model;
- the Group Organisational Model pursuant to Legislative Decree 231/01;
- the System Security Planning Paper (SSPP) pursuant to Legislative Decree 196/.196;
- the Code of Ethics;
- administrative-accounting procedures regarding financial reports.

Group co-ordination especially involves the centralised management of administrative, corporate and cash services which, in addition to enabling the subsidiary companies to achieve economies of scale, also enable them to focus their internal resources on managing the core business.

National consolidated tax regime – Subgroup Italy

Esprinet S.p.A. and its subsidiary Celly S.p.a. have opted for the tax regime as established in the 'National consolidated tax regime', as per Article 117 and followings of Presidential Decree 917/86 (TUIR) 2015 for the 3-years period 2015-2017.
In 2016 V-Valley opted again for the 'National consolidated tax regime' for the 2016-2018 3-year period. During 2016, the subsidiary EDSlan S.r.l. joined the 'National consolidated tax regime' for the 2016-2018 period.
The economic ratios, as well as the responsibilities and mutual obligations, between the consolidating company and the aforementioned subsidiaries are defined in the 'Consolidation regulations governing Esprinet Group member companies'.

Tax liabilities are usually reported under the item 'Current income tax liabilities', net of advances and the withholding taxes paid and tax credits, in general. The current Corporate Income Tax (IRES) is also reported under 'Current income tax liabilities' calculated by using estimates of positive and negative taxable amounts of the subsidiary companies which have accepted the National consolidated tax regime, net of advances and withholding taxes paid and the accruing tax credits of the companies in question; the corresponding receivables of the consolidating company referring to Group member companies and regarding the current tax corresponding to the positive taxable amounts transferred in the framework of the National consolidated tax regime, represent the balancing item of the tax liabilities reported.

Payables for compensations due to subsidiaries with negative taxable amounts are reported under the item 'Payables to subsidiaries and associated companies'.

The deferred and prepaid Corporate Income Tax (IRES) is calculated on the temporary differences between the values of assets and liabilities determined in accordance with the requirements of the Italian civil code and the corresponding tax values referring exclusively to the single companies.
The current, deferred and pre-paid Regional Business Tax (IRAP) is determined exclusively in the case of single companies.

Celly S.p.A.

During the year Celly purchased goods from Esprinet S.p.A. totalling 1.7 million euro and also sold products to Esprinet S.p.A. totalling 0.7 million euro.
Moreover, Celly paid to the parent Company 0.9 million euro for office rental, headquarters management expenses, personnel costs charge back, EDP consultancy, debiting of general expenses, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.
Finally, it paid Esprinet S.p.A. interest on the outstanding loan amounting to 0.1 million.

EDSLan S.r.l.

During the year EDSlan S.r.l. purchased goods from Esprinet S.p.A. totalling 3.3 million euro and also sold products to Esprinet S.p.A. totalling 1.6 million euro. Moreover, EDSlan S.r.l. paid to the parent Company 0.1 million euro for personnel costs charge back, EDP consultancy, debiting of general expenses, IT costs and expenses for other administrative services.
Finally, it paid Esprinet S.p.A. interest on the outstanding loan amounting to 0.1 million.

Mosaico S.r.l.

During the year Mosaico S.r.l. purchased goods from parent company totalling 0.5 million euro.

V-Valley S.r.l.

As a result of the commission sales contract signed on 20 October 2010, V-Valley entered into purchase agreements in its own name, but on behalf of Esprinet S.p.A.. The total amount of the agreements signed was 100.0 million euro (88.8 million euro in 2015), accruing 1.5 million euro in commission on sales (1.3 million euro in 2015).
Moreover, on the basis of a 'service agreement' signed between Esprinet S.p.A. and V-Valley, the latter paid a fee of 0.1 million euro to the parent company in 2016 for the hiring of equipment, the debiting of general expenses, telephone charges, IT costs and expenses for the maintenance and management of its ledgers, books and registers, as well as for administrative activities related to its business purpose.

In 2010 Esprinet S.p.A. gave V-Valley a warranty grant of 1 million euro (at Intesa San Paolo and still

current in 2015), by which Esprinet S.p.A. stands guarantee in favour of the company's use of the same.
Likewise in 2011 Esprinet S.p.A. gave V-Valley a warranty grant today amounting to 20 million euro (at Aosta Factor and still current in 2015), by which Esprinet stands guarantee in favour of the company's use of the same.

Esprinet Iberica S.L.U.

During the year Esprinet Iberica purchased goods from Esprinet S.p.A. totalling 45.1 million euro and also sold products to Esprinet S.p.A. totalling 0.3 million euro.

Esprinet Iberica also paid approx. 0.9 million euro according to a service agreement to lease equipment, for the use of data lines and administrative services, and loan interests of about 0.9 million euro.

Esprinet Portugal Lda

In 2016 Esprinet Portugal paid approx. 0.1 million euro to the parent company, mainly for the recharge of EDP consultancy and administrative services as well as for interest receivables amounting to 0.1 million euro on the existing loan.

6.7.3 Relationships with 'other related parties'

Sales regard consumer electronics products sold at normal market conditions, mainly to key managers and close members of their family.

(euro/000)		2016				2015			
	Type	Sales	Costs	Receiv.	Payab.	Sales	Costs	Receiv.	Payab.
Sales									
Infoklix S.p.A.	Sales of goods	-	-	2	-	-	-	2	-
Key managers e familiari	Sales of goods	15	-	7	-	18	-	4	-
Smart Res S.p.A.	Sales of goods	-				7			
Subtotal		**15**	**-**	**9**	**-**	**25**	**-**	**6**	**-**
Overheads and administrative costs									
Immobiliare Selene S.r.l.	Lease - premises	-	1,455	-	-	-	1,455	-	-
M.B. Immobiliare S.r.l.	Lease - premises	-	2,296	-	12	-	2,135	-	-
Immobiliare Selene S.r.l.	Overheads	-	7	-	-	-	7	-	-
M.B. Immobiliare S.r.l.	Overheads	-	24	-	-	-	14	-	-
Immobiliare Selene S.r.l.	Deposits	-	-	717	-	-	-	718	-
M.B. Immobiliare S.r.l.	Deposits	-	-	567	-	-	-	567	-
Subtotal		**-**	**3,782**	**1,284**	**12**	**-**	**3,611**	**1,285**	**-**
Finance costs-net									
Immobiliare Selene S.r.l.	Interest on deposits	1	-	1	-	4	-	4	-
M.B. Immobiliare S.r.l.	Interest on deposits	1	-	1	-	3	-	3	-
Subtotal		**2**	**-**	**2**	**-**	**7**	**-**	**7**	**-**
Total		**17**	**3,782**	**1,295**	**12**	**32**	**3,611**	**1,298**	**-**

Services received mainly refer to leasing agreements entered into at market conditions in previous years with the real estate companies, Immobiliare Selene S.r.l. in the case of the Cambiago (MI) logistics site and M.B. Immobiliare S.r.l. in the case of the Cavenago (MB) logistics site, respectively.

As shown in the previous table, the total value of the aforementioned transactions is not material compared with the total volume of the Company's activities, however.

6.8 Non-recurring significant events and operations

In 2016 the following non-recurring items were identified:

- Miscellaneous costs amounting to 1.9 million euro for consultancy, commissions and registration fees relating to business combinations both in Italy (EDSlan S.r.l. and Mosaico S.r.l.) and in Spain (Vinzeo Technologies S.A.U.);
- expenses incurred relating to the enlargement of the logistic hub in Cavenago totalling 1.0 million euro;
- key personnel termination indemnities in the Group companies (equal to 0.5 million euro).

During 2015, key personnel termination indemnities of the Company (for 322 thousand euro) and the impact (135 thousand euro) of the tax rate cuts in Italy, from 27,5% to 24.0% effective from 1 January 2017 on deferred tax assets and liabilities were displayed as non-recurring costs.

The following table shows the impact of the above said events and transactions on the income statement (including the related tax effects):

(euro/000)	Charge type	2016	2015	Var.
Overheads and administrative costs	Transaction costs from business combination	(1,969)	-	(1,969)
	Extension warehouse costs	(1,018)	-	(1,018)
	Employee termination incentives	(460)	(322)	(138)
Total SG&A		**(3,447)**	**(322)**	**(3,125)**
Operating income (EBIT)		**(3,447)**	**(322)**	**(3,125)**
Profit before income taxes		**(3,447)**	**(322)**	**(3,125)**
Income tax expenses	Changes in Spanish tax rate on initial losses	-	86	(86)
	Non-recurring events	1,064	101	963
Net income/(loss)		**(2,383)**	**(135)**	**(2,248)**
Of which attributable to non-controlling interests		-	-	-
Of which attributable to Group		**(2,383)**	**(135)**	**(2,248)**

6.9 Main disputes pending

Developments in existing legal and tax-related disputes can be found in a similar section under the comment to the statement of financial position item 'Non-current provisions and other liabilities' in the 'Notes to the consolidated financial statements'.
Similarly, the 'Directors' Report on Operations' also contains the Group's policies regarding the management of legal and tax-related disputes under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.'.

6.10 Disclosure on risks and financial instruments

6.10.1 Definition of risks

The international accounting principle IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performances;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the reporting date, and how the entity managed those risks.

Disclosure regarding financial risks able to influence the Esprinet S,p.A.'s asset structure, performance and cash flows can be found under 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Directors' Report on Operations'.
Similarly, accounting principles regarding financial instruments used in preparing the Esprinet S.p.A. financial statements can be found in the section 'Accounting principles and valuation criteria'.

6.10.2 Financial instruments pursuant to IAS 39: classes of risk and 'fair value'

The next table illustrates the relationship between the financial instruments items in the statement of financial position and the financial assets and liabilities categories in accordance with accounting principle IAS 39:
For further details about the contents of individual balance sheet items please see the analyses provided in the specific sections in the chapter 'Notes to the statement of financial position items'.

Assets	31/12/2016				31/12/2015			
(euro/000)	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39	Carrying amount	Financial assets at FVTPL (1)	Loans and receiv.	Not IAS 39
Derivative financial assets	377	377			369	369		
Customer financial receivables	*2,292*		*2,292*		*2,696*		*2,696*	
Guarantee deposits	*4,221*		*3,027*	*1,194*	*4,440*		*3,030*	*1,410*
Consortium membership fees	-			-	-			-
Receiv and other non-curr. assets	6,513		5,319	1,194	7,136		5,726	1,410
Non-current assets	**6,890**	**377**	**5,319**	**1,194**	**7,505**	**369**	**5,726**	**1,410**
Trade receivables	190,146		190,146		162,618		162,618	
Receivables from subsidiaries	*194,372*		*194,372*		*81,361*		*81,361*	
Receivables from associates	-		-		*156*		*156*	
Other tax receivables	*8,461*			*8,461*	*327*			*327*
Receivables from factors	*1,176*		*1,176*		*1,152*		*1,152*	
Customer financial receivables	*509*		*509*		*507*		*507*	
Receivables from insurances	*1,682*		*1,682*		*1,863*		*1,863*	
Receivables from suppliers	*8,114*			*8,114*	*6,978*			*6,978*
Receivables from employees	*2*		*2*		*143*		*143*	
Receivables from others	*148*		*148*		*115*		*115*	
Pre-payments	*2,488*			*2,488*	*2,641*			*2,641*
Other receivables	216,952		197,889	19,063	95,243		85,297	9,946
Cash and cash equivalents	80,109		80,109		205,993		205,993	
Current assets	**487,207**	**-**	**468,144**	**19,063**	**463,854**	**-**	**453,908**	**9,946**

Liabilities	31/12/2016				31/12/2015			
(euro/000)	Carrying amount	Financial liabilities at FVTPL [1]	Financial liabilities amortized cost	Not IAS 39	Carrying amount	Financial liabilities at FVTPL [1]	Financial liabilities amortized cost	Not IAS 39
Borrowings	2,252		2,252		61,138		61,138	
Derivative financial liabilities	-	-			224	224		
Provisions for pensions	*1,526*			*1,526*	*1,409*			*1,409*
Other provisions	*159*			*159*	*336*			*336*
Provis. and other non-curr. liab.	1,685		-	1,685	1,745		-	1,745
Non-current liabilities	**3,937**	**-**	**2,252**	**1,685**	**63,107**	**224**	**61,138**	**1,745**
Trade payables	381,221		381,221		387,749		387,749	
Short-term financial liabilities	118,779		118,779		26,197		26,197	
Derivative financial liabilities	428	428			195	195		
Payables to assoc. and subsid.	*1,244*		*1,244*		*1,115*		*1,115*	
Social security liabilities	*2,497*		*2,497*		*2,497*		*2,497*	
Other tax liabilities	*1,331*			*1,331*	*6,049*			*6,049*
Payables to others	*7,141*		*7,141*		*7,447*		*7,447*	
Accrued expenses (insurance)	*360*		*360*		*225*		*225*	
Deferred income	*35*			*35*	*83*			*83*
Provisions and other liabilities	12,608		11,242	1,366	17,416		11,284	6,132
Current liabilites	**513,036**	**428**	**511,242**	**1,366**	**431,557**	**195**	**425,230**	**6,132**

[1] 'FVTPL': Fair Value Through Profit and Loss.

As can be seen in the previous table, the statement of financial position classifications provide an almost immediate distinction between classes of financial instruments, as per their different valuation methods and exposure to financial risk:

- financial instruments measured at amortised cost:
    - cash and cash equivalents and financial receivables (current and non-current)
    - receivables from insurance companies
    - intercompany receivables
    - trade receivables
    - receivables from others
    - receivables from employees
    - trade payables
    - financial liabilities
    - intercompany payables
    - other debts (current and non-current)
- financial instruments measured at 'fair value' since initial recognition:
    - derivative financial assets
    - derivative financial liabilities

Qualitative disclosures regarding the different risk classes can be found under the same section in the 'Notes to the consolidated financial statements'.

The fair value measurement of financial assets and liabilities reported in the statement of financial statements as provided for by IAS 39 and governed by IFRS 7 and IFRS 13, grouped by classes of risk, and the methods and the assumptions applied in determining them, are as follows:

Assets (euro/000)	31/12/2016 Carrying amount	31/12/2016 Fair value Trade receiv.	Financial receiv.	Receiv. from insurers	Receiv. from Group	Rec. from employ.	31/12/2015 Carrying amount	31/12/2015 Fair value Trade receiv.	Financial receiv.	Receiv. from insurers	Receiv. from Group	Rec. from employ.
Derivative financial asset	377		377				369		369			
Customer financial receiv.	*2,292*		*2,489*				*2,696*		*2,967*			
Guarantee deposits	*3,027*		*3,000*				*3,030*		*2,963*			
Other non-curr. assets	5,319		5,489		-		5,726		5,930		-	
Non-current assets	**5,696**	**-**	**5,866**	**-**	**-**	**-**	**6,095**	**-**	**6,299**	**-**	**-**	**-**
Trade receivables	190,146	190,146					162,618	162,618				
Receivables from subsid.	*194,372*				*194,372*		*81,361*				*81,361*	
Receivables from associat.	-				-		*156*				*156*	
Receiv. from factors	*1,176*		*1,176*				*1,152*		*1,152*			
Customer financial receiv.	*509*		*509*				*507*		*507*			
Receiv. from insurances	*1,682*			*1,682*			*1,863*			*1,863*		
Receiv. from employees	*2*					*2*	*143*					*143*
Receiv. From others	*148*					*148*	*115*					*115*
Other receivables	197,889		1,685	1,682	194,372	150	85,297		1,659	1,863	81,517	258
Cash and cash equival.	80,109		80,109				205,993		205,993			
Current assets	**468,144**	**190,146**	**81,794**	**1,682**	**194,372**	**150**	**453,908**	**162,618**	**207,652**	**1,863**	**81,517**	**258**

Liabilities (euro/000)	31/12/2016 Carrying amount	31/12/2016 Fair value Trade payables	Financial liabilities	FVTPL derivat.	Other payab.	Payab. to Group	31/12/2015 Carrying amount	31/12/2015 Fair value Trade payables	Financial liabilities	FVTPL derivat.	Other payab.	Payab. to Group
Borrowings	2,252		2,385				61,138		60,345			
Financial derivatives	-			-			224			224		
Non-current liabilites	**2,252**	**-**	**2,385**	**-**	**-**	**-**	**61,362**	**-**	**60,345**	**224**	**-**	**-**
Trade payables	381,221	381,221					387,749	387,749				
Short-term financial liab.	118,779		118,756				26,197		26,849			
Financial derivatives	428			428			195			195		
Intercompany payables	*1,244*					*1,244*	*1,115*					*1,115*
Social security liabilities	*2,497*				*2,497*		*2,497*				*2,497*	
Payables to others	*7,141*				*7,141*		*7,447*				*7,447*	
Accrued exp. (insurance)	*360*				*360*		*225*				*225*	
Provis. and other liabil.	11,242				9,998	1,244	11,284				10,169	1,115
Current liabilities	**511,670**	**381,221**	**118,756**	**428**	**9,998**	**1,244**	**425,425**	**387,749**	**26,849**	**195**	**10,169**	**1,115**

The corresponding hierarchy level for each of the abovementioned fair value list is described below:

Assets	**31/12/2016**			**31/12/2015**		
(euro/000)	**Carrying amount**	**Fair value**	**Fair value hierarchy**	**Carrying amount**	**Fair value**	**Fair value hierarchy**
Derivative financial assets	377	377	*level 3*	369	369	*level 3*
Customer financial receiv.	*2,292*	*2,489*	*level 2*	*2,696*	*2,967*	*level 2*
Guarantee deposits	*3,027*	*3,000*	*level 2*	*3,030*	*2,963*	*level 2*
Other non-curr. assets	5,319	5,489		5,726	5,930	
Non-current assets	**5,696**	**5,866**		**6,095**	**6,299**	
Trade receivables	190,146	190,146	*level 2*	162,618	162,618	*level 2*
Receivables from subsid.	*194,372*	*194,372*	*level 2*	*81,361*	*81,361*	*level 2*
Receivables from associat.	-	-	*level 2*	*156*	*156*	*level 2*
Receiv. from factors	*1,176*	*1,176*	*level 2*	*1,152*	*1,152*	*level 2*
Customer financial receiv.	*509*	*509*	*level 2*	*507*	*507*	*level 2*
Receiv. from insurances	*1,682*	*1,682*	*level 2*	*1,863*	*1,863*	*level 2*
Receiv. from employees	*2*	*2*	*level 2*	*143*	*143*	*level 2*
Receiv. From others	*148*	*148*	*level 2*	*115*	*115*	*level 2*
Other receivables	197,889	197,889		85,297	85,297	
Cash and cash equival.	80,109	80,109		205,993	205,993	
Current assets	**468,144**	**468,144**		**453,908**	**453,908**	

Liabilities	**31/12/2016**			**31/12/2015**		
(euro/000)	**Carrying amount**	**Fair value**	**Fair value hierarchy**	**Carrying amount**	**Fair value**	**Fair value hierarchy**
Borrowings	2,252	2,385	*level 2*	61,138	60,345	*level 2*
Financial derivatives	-	-	*level 2*	224	224	*level 2*
Non-current liabilites	**2,252**	**2,385**		**61,362**	**60,569**	
Trade payables	381,221	381,221	*level 2*	387,749	387,749	*level 2*
Short-term financial liab.	118,779	118,756	*level 2*	26,197	26,849	*level 2*
Financial derivatives	428	428	*level 2*	195	195	*level 2*
Debts for invest. in subsidiaries	*1,244*	*1,244*	*level 2*	*1,115*	*1,115*	*level 2*
Social security liabilities	*2,497*	*2,497*	*level 2*	*2,497*	*2,497*	*level 2*
Payables to others	*7,141*	*7,141*	*level 2*	*7,447*	*7,447*	*level 2*
Accrued exp. (insurance)	*360*	*360*	*level 2*	*225*	*225*	*level 2*
Provis. and other liabil.	11,242	11,242		11,284	11,284	
Current liabilities	**511,670**	**511,647**		**425,425**	**426,077**	

Given their short-term maturity, the gross carrying value of current assets (excluding derivatives if any), trade payables, short-term financial liabilities and other payables (excluding liabilities for monetary incentives), is deemed a reasonable approximation of their 'fair value' (classified in level 2 in the so called 'fair value hierarchy').

The 'fair value' of non-current assets and borrowings was estimated by discounting expected cash flows from principal and interest, according to the terms and the due dates of each agreement, and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).

The 'fair value' of "Interest Rate Swap" (IRS) derivatives was estimated by discounting expected cash flows, according to the terms and the due dates of each derivative agreement and its underlying,

and using the market interest curve at the balance sheet date, as adjusted for the effects of DVA (Debit Value Adjustment) and the CVA (Credit Value Adjustment).
The interest rates used were obtained from the 'Forward' and the 'Spot' Curve Euro at 31 December, as published by financial providers, plus any spread provided for by the agreement (such spread was not taken into account in applying the market interest curve for discounting cash flows). Since all inputs entered in the valuation model were based on observable market data instruments are classified at hierarchy level 2.
The soundness of the measurement made, with reference to IRS - Interest Rate Swap, was confirmed by the comparison with the value provided by the issuer banks.

The derivatives financial asset comprises the difference between present value of business valuation of the 20% remaining share in Celly and the forward price evaluation due under the option contract entered with the minority shareholder.
The present value was calculated using the 2-year free-risk rate at 31 December 2016, as adjusted in order to take into account the remaining time until the first available exercise date of the option (falling on 12 May 2019).
The fair value so measured corresponds to a level 3 in the fair value hierarchy being based also on management estimates about future financial performance of the subsidiary.

As shown in the preceding tables, no reclassifications among hierarchic levels were made. Please refer to the paragraph 'Derivatives analysis' for information relating to existing derivative instruments.

Disclosures regarding net gains or net losses, interest income and interest expenses, fee income and expenses arising from financial instruments have been already given in the table dedicated to finance costs under '42) Finance costs'.

Please note that general and administrative expenses include 0.3 million euro (0.3 million euro in 2015) relating to bad debt allowances on the basis of analyses of each single debtor's solvency.

6.10.3 Additional information about financial assets

As during the previous year, no reclassification of a financial asset as one measured at cost or amortised cost, rather than at fair value, and vice versa, was made (the initial recognition of a financial instrument at fair value and the subsequent measurement at cost or amortised cost for some specified financial assets not detecting at this end).
As highlighted in the section 'Trade and other receivables' in the paragraph 'Summary of significant valuation criteria and accounting policies', in case of impairment by credit losses, the value of receivables is adjusted. This operation is effected by specially allocating a bad debt provision that directly reduces the carrying amount of the devaluated financial asset.
In the year closed at 31 December 2016, and in the previous one, it was used solely in the case of trade receivables, since it was not deemed necessary in the case of other financial assets.

The following table illustrates the above-mentioned movements of trade receivables bad debt provision during the year:

(euro/000)	Starting provision	Additions	Uses	Final provision
2016 financial year	4,701	348	(1,154)	3,895
2015 financial year	6,191	328	(1,818)	4,701

Esprinet S.p.A. Group usually transfers financial assets.
These operations involve giving factoring companies trade receivables, for both discounting-back and without-recourse factoring schemes, as well as presenting promissory notes (known by their Italian acronym as RIBA) to banks as credit operations on realisation under usual reserves.
During 2016, the securitisation plan structured by UniCredit Bank AG was continued, under which trade receivables are assigned without recourse on a revolving basis to a "special purpose vehicle" under Law no. 130/99.

In the case of transfers of receivables for without-recourse factoring and advances under usual reserves, this operation not qualifying for derecognition, the Group continues to recognise all of these assets, the carrying amount of which continues to appear in the statement of financial position, under 'trade receivables' with an offsetting entry under the current financial liabilities as 'other financing payables' and 'payables to banks'.

As at 31 December 2016 the with-recourse sold receivables which obtained advances under usual reserves amounted to 2.4 million euro (1.6 million euro at 31 December 2015); the same kind of advances (under usual reserves) on bills amounted to 1.2 million euro (unchanged against 31 December 2015).
The financial assets' gross book value is the Company's maximum exposure to credit risk.

The following tables show an analysis of the status of trade receivables and the ageing of those not overdue and not impaired by credit losses:

(euro/000)	31/12/2016	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	194,041	5,978	42,667	145,396
Bad debt provision	(3,895)	(3,895)	-	-
Net trade receivables	**190,146**	**2,083**	**42,667**	**145,396**

(euro/000)	31/12/2015	Receivables impaired	Receivables past due not impaired	Receivables not past due not impaired
Gross trade receivables	167,319	6,602	35,736	124,981
Bad debt provision	(4,701)	(4,701)	-	-
Net trade receivables	**162,618**	**1,901**	**35,736**	**124,981**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receiv. past due not impaired at 31/12/2016	42,667	814	385	87	41,381
Receiv. past due not impaired at 31/12/2015	35,736	758	241	848	33,889

Due to its historical experience and to its policy of not accepting orders from insolvent customers unless paid in advance, Esprinet S.p.A. does not believe that the premise for allocating provisions for doubtful receivables for amounts not yet overdue exist.

There are no financial assets which would otherwise be past due or impaired whose terms have been re-negotiated, except for some re-entry plans agreed with customers for not-material amounts.
The following instruments are usually used by the Company to limit its credit risk (the percentages refer to trade receivables at 31 December 2016):

- traditional credit insurance (covering approx. 90% of the face value of the insured receivables provided they are within the limit of the credit line given by the insurance company) covering approx. 50% of the total amount of trade receivables;
- without-recourse factoring with leading factoring companies covering approx. 8% of the receivables (the amount refers to receivables existing at the closing date of the financial year but subject to revolving credit at the times and with the methods of the schemes);
- real guarantees (bank guarantees and asset mortgagees) in the case of approx. 3% of total gross amount of trade receivables.

The Group obtained no financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees). Nor did the Group hold collateral (of financial or non-financial assets) it was permitted to sell or re-pledge in the absence of default by the owner of the collateral.

No other financial assets regulated by IFRS 7 and IFRS 13 have been impaired in the current or in the previous year. The two following tables illustrate their status and the aging of those not overdue and not impaired by credit losses:

	31/12/2016				31/12/2015			
(euro/000)	Carrying amount	Receiv. impaired	Receiv. past due not impaired	Receiv. not past due not impaired	Carrying amount	Receiv. impaired	Receiv. past due not impaired	Receiv. not past due not impaired
Derivative financial liabilities	377			377	369			369
Customer financial receiv.	*2,292*			*2,292*	*2,696*			*2,696*
ntee deposits	*3,027*			*3,027*	*3,030*			*3,030*
Other non-current assets	5,319			5,319	5,726			5,726
Non-current assets	**5,696**	**-**	**-**	**5,696**	**6,095**	**-**	**-**	**6,095**
Receivables from subsid.	*194,372*		*350*	*194,022*	*81,361*		*1,810*	*79,551*
Receivables from asscociat.	*-*			*-*	*156*		*156*	*-*
Receivables from factors	*1,176*		*(1)*	*1,177*	*1,152*		*193*	*959*
Customer financial receiv.	*509*			*509*	*507*		*-*	*507*
Receivables from insurances	*1,682*		*1,682*		*1,863*		*1,863*	
Receivables from employees	*2*			*2*	*143*			*143*
Receivables from others	*148*		*89*	*59*	*115*		*89*	*26*
Other receivables	197,889		2,120	195,769	85,297		4,111	81,186
Cash and cash equivalents	80,109		80,109		205,993		205,993	
Current assets	**277,998**	**-**	**82,229**	**195,769**	**291,290**	**-**	**210,104**	**81,186**

(euro/000)	Total	Past due over 90 days	Past due 60 - 90 days	Past due 30 - 60 days	Past due under 30 days
Receivables from subsid.	350	-	-	-	350
Receivables from associat.	-	-	-	-	-
Receivables from factoring companies	(1)	-	-	-	(1)
Receivables from insurance companies	1,682	1,549	15	88	30
Receivables from others	89	89	-	-	-
Receiv. past due not impaired at 31/12/2016	**2,120**	**1,638**	**15**	**88**	**379**
Receivables from subsid.	1,810	-	-	-	1,810
Receivables from associat.	156	132	14	-	10
Receivables from factoring companies	193	27	-	-	166
Receivables from insurance companies	1,863	1,519	133	164	47
Receivables from others	89	89	-	-	-
Receiv. past due not impaired at 31/12/2015	**4,111**	**1,767**	**147**	**164**	**2,033**

Receivables from factoring companies relate wholly to 'without-recourse' factoring operations, where the ownership and connected risks of the sold receivables have therefore been wholly transferred to factoring companies.

The past due quota relates to sums due at the ending date of the year which were paid during the first days of the following year for technical reasons. The not yet due quota regards amounts collectable by contract only at the original due date of the receivable existing between the sold customers and the Company.
It should be noted, however, that these receivables had also almost completely been paid by the time this report was drawn up as the deadlines were met.

6.10.4 Additional information about financial liabilities

Amounts detailed in the following maturity analysis are the contractual undiscounted cash flows, including interests to be paid and excluding the effects of netting agreements:

(euro/000)	Carrying amount 31/12/2016	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Financial liabilities	2,252	2,686	98	-	518	2,070	-
Derivative financial liabilities	-	-	-	-	-	-	-
Non-current liabilities	**2,252**	**2,686**	**98**	**-**	**518**	**2,070**	**-**
Trade payables	381,221	427,928	385,855	4,633	8,892	24,187	4,361
Short-term financial liabilities	118,779	120,638	120,638	-	-	-	-
Derivative financial liabilities	428	444	444	-	-	-	-
payables to assoc. and subsidiaries	*1,244*	*1,244*	*1,244*	-	-	-	-
Social security liabilities	*2,497*	*2,497*	*2,497*	-	-	-	-
Payables to others	*7,141*	*7,141*	*7,141*	-	-	-	-
Accrued expenses (insurance)	*360*	*360*	*360*	-	-	-	-
Provisions and other liabilities	11,242	11,242	11,242	-	-	-	-
Current liabilites	**511,670**	**560,252**	**518,179**	**4,633**	**8,892**	**24,187**	**4,361**

(euro/000)	Carrying amount 31/12/2015	Future cash flows	in 6 months	6-12 months	1-2 years	2-5 years	after 5 years
Financial liabilities	61,138	65,444	655	516	17,873	45,365	1,035
Derivative financial liabilities	224	240	-	-	160	80	-
Non-current liabilities	**61,362**	**65,684**	**655**	**516**	**18,033**	**45,445**	**1,035**
Trade payables	387,749	430,838	391,724	3,974	7,321	19,212	8,607
Short-term financial liabilities	26,197	26,082	17,801	8,281	-	-	-
Derivative financial liabilities	195	201	100	101	-	-	-
payables to assoc. and subsidiaries	*1,115*	*1,115*	*1,115*	-	-	-	-
Social security liabilities	*2,497*	*2,497*	*2,497*	-	-	-	-
Payables to others	*7,447*	*7,447*	*7,447*	-	-	-	-
Accrued expenses (insurance)	*225*	*225*	*225*	-	-	-	-
Provisions and other liabilities	11,284	11,284	11,284	-	-	-	-
Current liabilites	**425,425**	**468,405**	**420,909**	**12,356**	**7,321**	**19,212**	**8,607**

The above tables can be understood more easily if the following are considered:

- when a counter-party has a choice of when an amount is paid, the liability has been included on the basis of the earliest date on which the Group can be required to pay;
- the amounts shown relate to contractual undiscounted cash flows gross of interests to be paid;
- the amount of floating rate loans payable has been estimated by reference to the conditions existing at the reporting date (i.e. the interest rate curve at the end of the year).

As at 31 December 2016, the Company maintains two medium-long term loan contracts, of 58.8 million euro in principal, that contain standard acceleration clauses in case certain financial covenants are not met when checked against data from the consolidated and audited financial statements.
At 31 December 2016 according to available evidence and management estimates (to be checked against the consolidated and audited financial statements), two covenants were not met. Accordingly, the loans were entirely classified under the 'current liabilities' and the relevant contractual cash flows were assumed to take place within 6 month after the financial statements date.
As better detailed in the paragraph named 'Subsequent events' in the Directors' Report on Operations, on 28 February 2017 the Term Loan Facility (one of the the abovementioned loans) of 48.8 million residual principal was entirely repaid when a new agreement was signed with a pool of banks (comprising 6 of the 8 lenders under the previous loan) for an amount up to 210.0 million euro aimed, among other things, at the repayment of the existing loan.

The lending banks had unanimously granted a waiver relating to this loan in July 2016 after the 40 million euro threshold in extraordinary transactions was exceeded, without formalising a prior consent by the 2/3 majority of them.
With respect to the other loan, a waiver will be formally requested to the granting institute, since it belongs to both the new and the old pool of banks.

Apart from 31 December 2007 and 30 June 2008 when, even if with no consequences, one covenant referred to the loan whose reimbursement ended in July 2014 (as stated in the agreement) was broken, the Company has never been in a condition of default regarding principal, interest, sinking fund or redemption terms of passive loans.
For further information please refer to the next paragraph 'Loans and loan covenants'.

The Company also has a loan due in January 2022, with a remaining value as notional of 2.7 million euro and registered as 2.6 million euro by effect of the amortising costs accounting method, achieved

in December 2013 under the contractual terms of payment from the Public Administration for the supply of personal computers to the same.
The issuing bank was granted by the Company an irrevocable collection derogation for multi-year contribution's collection due from the Public Administration and equal, in both the amounting and due dates, to the reimbursement loan plan that, for the above mentioned reason, do not contains dealings for a possible shirk benefitting from the reimbursement terms.

Up to now Esprinet S.p.A. has not issued any instruments containing both a liability and an equity component.

6.10.5 Hedge accounting

Introduction

Esprinet S.p.A. signs derivative contracts in order to hedge some loan agreements against fluctuating interest rates by means of a strategy of cash flow hedge.
The aim of these hedging transactions against the interest rate risk is to fix the funding cost of middle/long-term floating-rate loans by entering into a derivative contract that enables the Group the floating rate to be received and the fixed rate to be paid.
Hedging operations are therefore reported in the financial statements according to the instructions of the IAS 39 accounting principle regarding 'hedge accounting' and in order to verify the hedge effectiveness, the Company periodically carry out prospective and retrospective tests.

Derivative instruments as at balance sheet date

As at the balance sheet date Esprinet S.p.A. is using eight IRS (Interest Rate Swap) contracts with different notional amounts and fixed interest rate but identical conditions (hedging instruments), which were entered into with each of the eight banks that on 31 July 2014 granted the medium-term variable interest rate loan of 65 million euro, called Term Loan Facility.
Each financing counterparties signed the derivative proportionally to their respective share in the loan, which the derivative is intended to hedge by means of their receiving a variable interest rate against payment of a fixed interest rate.

The main features of the eight contracts are summarized below:

Trade date	22 December 2014
Effective date	30 January 2015
Termination date	31 July 2019
Notional amount	65.0 million euro (subject to an amortisation plan)
Fixed rate	From 0.33% to 0.37%, act/360
Fixed and floating rates payment dates	Every 31 January and 31 July starting from 31 July 205 up to 31 July 2019, subject to adjustment in accordance with the modified business day convention
Fixed rate payer	Esprinet S.p.A.
Floating rate	Euribor 6M, act/360, fixed two days before the interest calculation period
Floating rate payer	Intesa Sanpaolo S.p.A., Banca Nazionale del Lavoro S.p.A., Unicredit S.p.A., Banca Monte dei Paschi di Siena S.p.A., UBI Banca - Società Cooperativa per Azioni, Banco Popolare – Società Cooperativa, Caixabank S.A., Cassa di Risparmio di Parma e Piacenza S.p.A., each for its own contract.

At 31 December 2016, according to management estimates, two covenants referring to the Term Loan Facility covered by abovementioned derivatives, were not met. Consequently, pursuant to the IFRS accounting standards and management's willingness to replace the hedged loan resulting in the termination of existing derivatives and to underwrite new interest hedging contracts, the liability

representing the fair values of derivatives was entirely booked under current financial liabilities together with the amount of the hedged loan.
Since, from the signing date, it was fully in compliance with International Accounting Standard 39 regarding 'hedge accounting' (formal designation and documentation of the hedging relationship; hedge expected to be highly effective and reliably measured; forecast transaction highly probable and affecting profit or loss) all derivative contracts had been subject to the 'cash flow hedge' accounting rules until that date.
At inception date the portion of the gain or loss on the hedging instrument (that has been determined to be an effective hedge) was recognised directly in equity (and shown, consequently, in the statement of comprehensive income), the ineffective portion of the gain or loss on the hedging instrument was recognised in profit or loss.

Subsequent changes in fair value of the expected future cash flows on the hedge item from inception of the hedge (due to changes in the interest rate curve) have been similarly recognised directly in equity (always within limits of being an effective hedge) and, consequently, shown in the statement of comprehensive income.

Information regarding derivative contracts existing during the year

The next tables illustrate the following information regarding the derivative contracts with reference to the cash flow hedge accounting technique:
- the notional amount at 31 December 2016 and 2015 shared into portions maturing within or beyond a 12-months period;
- the amount recognised in the statement of financial position as at 31 December 2016 and 2015 representing the 'fair value' of the contracts if hedging is 'highly 'effective';
- the change in fair value from the inception date to the financial statement closing date;
- the ineffective portion recognised or reversed in income statement under 'Finance costs' from the inception with reference to the instalments still outstanding at the same date.

	Year	Notional amount		Fair value (1)	Income statement (2)	Taxes on FV contracts (3)	Retained earnings (4)
		within 1 year	beyond 1 year				
Interest rate risk management							
- cash flow hedge pursuant to IAS 39:	2016	48,750	-	428	114	(75)	(239)
- cash flow hedge pursuant to IAS 39:	2015	16,250	48,750	419	84	(92)	(243)

(1) Amount of the (assets)/liabilities recorded in the statement of financial position resulting from derivatives measured at fair value using cash flow hedge accounting technique.
(2) Ineffective portion of the gain or loss on the hedging instrument as per IAS 39.
(3) Deferred income taxes related to the fair value of the derivative contracts using cash flow hedge accounting technique.
(4) Cumulative change in fair value from inception to the statement of financial position date recognised in equity using cash flow hedge accounting technique.

The events that caused the changes in the amount of the 'cash flow hedge' equity reserve during the first half are so detailed:

(euro/'000)	2016					
	Change in fair value of derivatives	Transfer to P&L (1)	Taxes effect trasfer to P&L	Ineffective portion of (gain)/loss to P&L	Taxes on fair value of derivatives	Change in equity reserve
Equity reserve on derivatives 2014:	(204)	225	(67)	-	50	4
Equity reserve on derivatives 2007:	(260)	103	(28)	-	71	(114)
Total	**(464)**	**328**	**(95)**	**-**	**121**	**(110)**

(1) Accounted as increase / (decrease) of 'Financial charges'.

The following are the periods when the cash flows relating to the hedged items are expected to occur and when they are expected to affect the Income Statement:

(euro/000)			Expected cash flows	0-6 months	6-12 months	1-2 years	2-5 years	After 5 years
Loans:	31/12/2016	Cash flows	1,907	1,907	-	-	-	-
		Impact on P&L	1,474	1,474	-	-	-	-
	31/12/2015	Cash flows	3,422	755	647	1,026	994	-
		Impact on P&L	2,787	659	580	868	680	-

Finally, the derivative instrument changes referring to the fair value variations recorded in the Income Statement are reported below:

(euro/000)	Year	FV 31/12/p.y.[1]	Rates past due	Variation FV rates not past due	FV 31/12/c.y.[2]
Derivatives 2014	2016	n.a.	n.a.	n.a.	n.a.
Derivatives 2014	2015	n.a.	n.a.	n.a.	n.a.
Total		-	-	-	-

(1) Previous year
(2) Current year

6.10.6 Sensitivity analyses

Since Esprinet S.p.A. is exposed to a limited currency risk it has decided not to effect sensitivity analyses regarding this type of risk (for more details see section 'Main risks and uncertainties facing the Group and Esprinet S.p.A.' in the 'Director's Report on Operations').

A sensitivity analysis regarding the interest rate risk was performed in order to show how profit or loss and equity would have been affected by changes in the interest rate curve that were reasonably possible during the period.

For these purposes, the 2016 market interest rate trend was taken into account together with the Group's estimates on rates in the immediate future and a forward shifting of spot/forward interest rate curves +/-100 basis points was simulated. The following tables show the results of the simulation (net of tax effects); each item includes both the current and non current portion:

Scenario 1: +100 basis points

	31/12/2016		31/12/2015	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Derivative financial assets	(6)	(6)	(9)	(9)
Financial assets	758	758	341	341
Cash and cash equivalents	284	284	459	459
Borrowings [1]	(693)	(693)	(259)	(259)
Derivative financial liabilities	445	-	804	-
Total	**788**	**343**	**1,336**	**532**

Scenario 2: -100 basis points

	31/12/2016		31/12/2015	
(euro/000)	Net equity	Profit/(loss)	Net equity	Profit/(loss)
Derivative financial assets	7	7	4	4
Financial assets	-	-	(7)	(7)
Cash and cash equivalents	(41)	(41)	(226)	(226)
Borrowings [1]	170	170	80	80
Derivative financial liabilities	(447)	-	(73)	-
Total	**(318)**	**129**	**(226)**	**(153)**

[1] Impact on the loans hedged by IRS regards solely the uncovered portion of the loans.

6.11 Compensation for Esprinet S.p.A. auditing services

The following table drafted pursuant to Article 149-duodecies of the Consob Issuing Regulation, shows the emoluments posted during the 2014 financial year on the accrual basis of accounting for auditing services and others performed by the same auditing company and/or bodies belonging to its network:

Description	Provider of service	Fees (euro/000)	
		2016	2015
Auditing services:			
Examination of the annual accounts of one single company, accompanied by professional opinion	EY S.p.A.	153.9	153.8
Examination of the annual consolidated accounts of a group of companies accompanied by professional opinion	EY S.p.A.	11.8	11.8
Quarterly examination of accounts of one single company or group of companies during the year	EY S.p.A.	27.9	27.9
Subtotal		**193.6**	**193.5**
Other services:			
Services other than audit	EY S.p.A.	45.0	15.3
Subtotal		**45.0**	**15.3**
Total		**238.6**	**208.8**

7. Publication of the Draft Annual Report

The Esprinet Board of Directors approved the draft annual report and its publication during the meeting of 21 March 2017, which also authorised the Chairman to make any necessary or appropriate changes or additions to the structure of the document, in order to complete or improve it in any of its parts.

Vimercate, 21 March 2017

Of behalf of the Board of Directors
The Chairman
Francesco Monti

Statement on the 'separate financial statements' pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. In consideration of the provisions of Article 154-bis, subsections 3 and 4, of legislative decree No. 58 of 24 February 1998, the undersigned Alessandro Cattani, Chief Executive Officer of Esprinet S.p.A and Pietro Aglianò, executive charged with drawing up the Esprinet S.p.A. accounting documents, hereby declare that the administrative and accounting procedures used in drawing up the separate financial statements relating to the year 2016 were:

- appropriate to the features of the Company
- effectively applied.

2. The assessment of the adequacy of the administrative and accounting procedures used for the preparation of the separate financial statements at 31 December 2016 was effected in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internally-accepted reference framework.
No significant aspects emerged.

3. We further declare that:

3.1 the separate financial statements as at 31 December 2016:

a) have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union through Regulation (EC) of the European Parliament and Counsel, dated 19 July 2002 as implemented in Italy by Article 9 of Legislative Decree no. 38 of 2005;
b) correspond to the amounts shown in the Company's accounts, books and records;
c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company.

3.2 The Directors' Report on Operations includes a reliable operating and financial review of the Company as well as a description of the main risks to which it is exposed.

Vimercate, 21 March 2017

Chief Executive Officer of Esprinet S.p.A.	Executive charged with drafting the Esprinet S.p.A. accounting documents.
(Alessandro Cattani)	(Pietro Aglianò)